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GERMANY'S POPULATION MIRACLE

BY HANS STAUDINGER

I

IN MOST modern industrial nations the proportion between the number of births and the number of potential mothers has declined considerably in recent years. Sociologists and economists consider it probable that this proportion will continue to decline, while the death rate can be decreased relatively less. Thus the balance between births and deaths will be increasingly disturbed in the coming decades unless some counterforces can be mobilized. This will mean a shift in the age composition of the populations, and eventually even a decline in the absolute number of people.

On the basis of the insufficient statistical data that are available sociologists have analyzed the primary and secondary causes of the limitation in the size of families in the various classes and groups of population. And economists have begun to reason about the consequences that changes in age composition and a decline of population will have on the consumption power for life necessities, such as houses and food, on the length of the period of production, on saving and investment, and on the business cycle itself. For it can no longer be assumed that a steadily increasing population will create new demands for goods and at the same time tend to decrease costs. The problem we have to face now is whether births and deaths may be expected to reach a better balance, leading finally to a stable population, or whether the present decline in fertility will lead to a steady decline in the number of people. And the question has arisen as to whether it is possible for the state to encourage an increase in population in order to prevent possible ill effects in the national economy and a decrease in national security.

In the midst of intensive discussion of these problems the German birth rate, which had been rapidly declining, showed a

startling rise in 1934, after an increase in marriages in 1933 and 1934, and since that time, though not rising so conspicuously, has continued at this level. Statisticians and students of population rushed to analyze this "happy event," asking above all whether it could be explained by the population policy of the new National Socialist regime. It was a question of special importance since the population policy of fascist Italy had not been able to check the gradual decline in the fertility of Italian women. In the last decade or two economists have encountered so many economic miracles, extraordinary and "abnormal" phenomena (as for example the miracle of the Rentenmark, or Japan's miraculous rapidity in overcoming the world depression) that it was possible to believe that once again a new set of data had overthrown the assumptions of former economic analysis.

O. E. Baker, senior economist in the United States Department of Agriculture, has declared that the sudden rise of the German birth rate, after so great a decline, can be regarded as one of the most remarkable events of our time, and that the German figures of rising births prove that the population situation need not be regarded as hopeless. P. K. Whelpton, an outstanding American population expert, has said of the sharp increase in Germany: "An examination of the vital statistics of countries with reliable data, extending over a century in some cases, shows no gain approaching this in size except as an immediate reaction to an important civil or foreign war."¹

But perhaps what has happened in Germany can indeed be considered in terms of a civil war. At least it seems to be questionable to discuss this astonishing rise of births as a phenomenon of the 1930's alone—as have most of the writers and above all the Germans themselves. In order to understand the increase it is necessary first to understand the preceding decline, and this means a consideration of the trend of German population during the period since the World War.

¹ "Why the Large Rise in the German Birth-Rate?" in *American Journal of Sociology*, vol. 41 (November 1935) p. 299.

II

Extensive wars have a striking effect on the structure of populations. In the first place, they cause an abnormal demographic cycle composed of two opposite phases: a destructive phase, marked by an increase in mortality and a decrease in births and marriages; and a restorative phase, marked by a decrease in deaths and an increase in births and marriages, often remarkably exceeding the normal level before the war. Both phases show a certain surplus of male births which serves to a small extent to compensate for male losses during the war.² Such a cycle repeats itself in the following generations—three times in a century, although the curve is gradually flattened and decreased with every repetition. These population cycles have far-reaching effects in many aspects of social and economic life—more or fewer school children, soldiers, workers. Moreover, the cycles are found not only in the belligerent nations but also in the neutral nations which are their immediate neighbors.

In the second place, war not only kills soldiers and civilians within the war zone but it indirectly causes a tremendous increase in the death rate of the total civilian population. Again, these indirect results of war, caused by epidemics, nervous tensions and undernourishment, can be seen also among the neutrals throughout the world. The World War caused such losses especially in nations whose housing conditions and general standards of living were inadequate. In demographic effects participation in a war or neutrality, victory or defeat, is less decisive than the economic, social and hygienic conditions of the nation.³

² Cf. L. Hersch, "Demographic Effects of Modern Warfare," in *What Would be the Character of a New War?* (London 1933) pp. 274-314.

³ Cf. Hersch, *op. cit.* Hersch, in discussing how wars have always provoked epidemics, declares that "In the space of a few months, up to the end of 1918, seven million human beings were carried off by influenza in British India" (p. 287), and that the total losses caused directly and indirectly by the World War were in Asia 69,000 soldiers and 13,700,000 civilians, in America 174,000 soldiers and 1,500,000 civilians, in Africa 99,000 soldiers and 900,000 civilians, while in Europe the losses were 12,637,000 soldiers and 12,219,000 civilians. Together with the losses in Oceania the general total amounted to 41,435,090 deaths (p. 291).

TABLE 1^a

<i>Year</i>	<i>Marriages per 1000 Inhabitants</i>	<i>Live Births per 1000 Inhabitants</i>
1876-1880	7.8	39.3
PREWAR PERIOD		
1900	8.5	35.6
1910	7.7	29.8
1913	7.7	27.5
1914	6.8	26.8
WAR DESTRUCTIVE PHASE		
1915	4.1	20.4
1916	4.1	15.2
1917	4.7	13.9
1918	5.4	14.3
RESTORATIVE PHASE^b		
1919	13.4	20.0
1920	14.5	25.9
1921	11.9	25.3
1922	11.2	23.0
1923	9.4	21.2
ECONOMIC RESTORATION		
1924	7.1	20.6
1925	7.7	20.8
1926	7.7	19.6
1927	8.5	18.4
1928	9.2	18.6
ECONOMIC DESTRUCTIVE PHASE		
1929	9.2	18.0
1930	8.8	17.6
1931	8.0	16.0
1932	7.9	15.1
1933	9.7	14.7
RESTORATIVE PHASE		
1934	11.1	18.0
1935	9.7	18.9
1936	9.1	19.0
1937	9.2 ^c	18.7 ^c

^a From *Statistisches Jahrbuch für das Deutsche Reich* (1937) p. 37. Changes in territory have been disregarded.

^b Modified by inflation.

^c Estimated in *Wirtschaft und Statistik*, second issue for January 1938 (no. 2) pp. 85-86.

The way in which war losses affect the future population developments of a nation is to a large extent dependent upon the population trend before the war. It obviously makes a difference whether war losses strike a relatively stationary population, as France for example, or a population, such as that of Japan or China, which showed an increase in births before the war, so that after the war there may be expected a large proportion of men and women in the reproductive age.

Table I shows the course of marriages and births in Germany since 1876. It can be seen that the restorative phase of population development after the war was of relatively little importance, even though the destructive phase during the war years had been so severe. Immediately after the war a certain marriage mania increased the number of marriages to an annual rate unknown before, and from 1919 to 1924 the remarriage rate too increased to a level which was higher than before the war. But the birth rate, although it rose in 1919 and 1920, remained even then below the prewar level and afterwards fell quickly.

Table II compares the number of births from 1924 to 1930, with the number that might have been expected on the basis of the 1913 fertility rate (that is, the ratio between the number of births and the number of potential mothers). To a certain extent the discrepancy between the two sets of figures may be explained by purely demographic reasons. After the war there were no hus-

TABLE II^a

<i>Year</i>	<i>Actual Number of Births</i>	<i>Births to be Expected from 1913 Fertility</i>	<i>Difference Be- tween Actual and Expected</i>
1924	1,270,820	1,860,000	589,000
1926	1,227,900	1,900,000	672,000
1927	1,161,719	1,920,000	758,000
1928	1,182,815	1,935,000	752,000
1930	1,127,450	1,950,000	823,000

^a From Friedrich Burgdörfer, *Volks- und Wehrkraft, Krieg und Rasse* (Berlin 1936) p. 117.

bands available for one quarter of the German women between the ages of twenty-five and thirty years. Not even the high marriage rate could compensate for this great proportion of women in the child-bearing age who must remain unmarried. According to Friedrich Burgdörfer⁴ the losses of men during the war reduced the number of mothers by 1.1 million in 1927 and by 700,000 in 1930. This decrease in the possibilities of marriage, and in addition such other factors as the older marriage age of both men and women, resulting from the postponement of marriages during the war, may be considered to have decreased the number of births during the 1920's by more than 150,000 annually. Still another factor which may be included among the demographic reasons for the low birth rate was the decrease in child mortality after the war, for it meant fewer new births to replace children who had died; statisticians estimate the decrease of births for this cause at 60,000 annually during this period. All together, the effects of these postwar demographic factors in decreasing the number of births during the twenties may be estimated at more than 200,000 yearly.⁵

But even with the deduction of this 200,000 there were still in 1930 about 600,000 fewer births than could have been normally expected according to the 1913 fertility of German women. Therefore other than demographic factors must have been responsible for this abnormal decline after the World War.

In Germany the legitimate fertility rate (the number of live births per 1000 married women under 45) had been declining for a long period before the war, especially since the beginning of the twentieth century: from 307 in 1880-81 to 286 in 1900-01 and 227 in 1910-11. This decline took place in spite of the fact that there was a continuing increase of women in the child-bearing age and thus an increase in the absolute number of births. There were several, interrelated reasons for this which may be sum-

⁴ *Volk ohne Jugend* (Heidelberg 1937) p. 81.

⁵ The estimates of E. Würzburger, president of the Saxonian Statistical Administration, are higher. He attributes to the war an annual loss of 450,000 births. I believe, however, that Burgdörfer's smaller estimates are closer to the facts.

marized as wealth, rationalization, emancipation of women, increased sense of responsibility for children, and urbanization. In Germany, as elsewhere, it was the upper classes that first began to limit the size of their families, but this trend was quickly evident in all classes. The upper bourgeoisie carried its rational business spirit into the household. The middle class, especially the new middle class, was increasingly ambitious to improve the social and economic condition of the family by securing better education, and especially better intellectual training, for the children. The workers were struggling against rising prices for their standard of living and for their share in the increased productivity of the nation, and unionization quickly spread a knowledge of birth control. In fact, it was among the workers in the industrial districts that the fertility rate, in this period before the war, showed the greatest decline in comparison with earlier times. There was some decline even among the peasants, the last stronghold of large families.

This trend toward a calculated limitation of the family was accelerated after the World War. The war spread through all classes of the population a much wider knowledge of contraceptive measures, and it was this knowledge that made it more possible than before to limit the family as desired. Nevertheless abortion, or in statistical terminology "miscarriage," was also an important factor. Especially in the large cities the increase of miscarriages during this period was astonishing. This is a subject in which guesses prevail and in which most estimates are unreliable, but it may be mentioned that on October 22, 1931, the Reich Minister of the Interior declared in a report that the number of miscarriages during the years after the war may be estimated at one third of the actual births; this would mean 350,000 to 400,000 annually. It is likely, however, that the number of miscarriages decreased as the use of contraceptive means became more generally understood.

One of the most important reasons for the decline in births after the brief postwar restorative period was the inflation of the early

1920's. The inflation, which was essentially a liquidation of the internal war debts, undermined the standards of living of all groups dependent on wages, salaries and incomes from investments. Its psychological effects lasted throughout the twenties, and were greater even than those of the "hunger years" during the war.

The middle class, as a result of the virtual expropriation of its wealth, found that its social position was endangered. Already inclined toward a rational attitude, it found a logical remedy in limiting the size of the family in order to uphold as much as possible its accustomed standard of living. The census of 1925 showed that in the families of civil servants the number of children was 25 per cent below the total average, and the same discrepancy was apparent among the officials, clerks and white collar workers in industry and commerce.

A study of salaried employees, undertaken in 1929 by the Gewerkschaftsbund der Angestellten,⁶ led to several significant conclusions concerning this important middle class group: "Employees marry at a relatively advanced age. A high percentage of these marriages remains sterile" (p. 27). "The average number of children for every married employee is 1.3. This proportion lags considerably behind the average number of 3.2 per family, which sociological authorities consider necessary for the maintenance of a family" (p. 18). The reason for this situation is "the lack of an adequate economic basis which is the premise of marriage and of the founding of a family" (p. 28). Moreover, "The actuality of the intimate connection of economic situation and population vitality, which has been conclusively established . . . by the GDA survey, stands in vivid contrast to the lack of interest with which this important factor . . . meets both in theory and practice. We cannot emphasize strongly enough, therefore, that our findings are not merely the result of a fortuitous combination of elements. Like a red thread this essential dependence of family structure on

⁶ *The Salaried Employee in his Economic and Social Development*, tr. by A. Lissance (New York 1938).

economic situation winds itself through all our investigations" (p. 25).

The ideal of providing children with better educational opportunities, evident before the war, spread rapidly after the revolution of 1918 throughout the middle class and even to the higher strata of the workers. In the higher schools (*Gymnasias*, *Realgymnasias*, *Realschule*) the number of students, both male and female, increased far more than the increase in the total number of children in the corresponding age groups. This was due partly to the higher qualifications demanded in the professions, but it is evidence also of the middle class desire to maintain and improve social standing in spite of economic difficulties.

The birth rate fell also among the urban workers—so conspicuously that there was a reversal of the relationship which had been prevalent between higher and lower classes at the end of the nineteenth century: now, although the higher income groups in the large cities held to relatively small families, the families of workers in the cities were still smaller.

Thus increasingly rational attitudes, which in the face of economic adversities subordinated the desire for children to the desire to maintain a standard of living in conformance with group prestige, were very conspicuous in the cities. (Two thirds of the German people live in cities, almost one third in the large cities.) Certainly the distractive influences of urban life played some part, and perhaps also the growing movement toward organization—among middle class and professional groups as well as within the ranks of labor—which of course was strongest in urban centers.

As a result of structural changes that the war produced in agriculture throughout the world, the German peasants, like the urban classes, found themselves in increasingly difficult economic circumstances. Thus they too showed a lower fertility rate than formerly, in spite of the fact that in the agricultural districts the influence of the churches and the power of tradition were far stronger than in the cities. It is evident in all statistics how firmly the Catholic disapproval of birth control withstood the general

tendency toward an economically and socially conditioned family size. The highest fertility rate of the entire nation was in the Catholic regions in northern and northwestern Germany. Especially in the Catholic rural districts the church was as effective in limiting birth control as are the Calvinists in Holland, where the family size is still relatively large.

The force of economic influences is evident in the fact that the prosperity year, 1928, brought about a certain interruption in the declining curve, in spite of the strong counteractive influences that I have mentioned. But there was by no means the conspicuous rise that can normally be expected in a period of prosperity.

The German population development of the 1920's may be summarized as a general decline of marriages and births as a result of demographic dislocations caused by the war and of economic disturbances caused by the inflation. The size of the family became increasingly dependent on the absolute height of income and on the socially desired standard of living. Except in those agricultural districts which were predominantly Catholic, rational considerations tended to prevail over religious and traditional attitudes. Increased knowledge of contraception, and if necessary abortion, made it possible to have only as many children as were desired. In the long run an even greater decrease in fertility may be expected if certain further groups—especially those in country cities and agricultural districts—follow the urban example of substituting rational expediency for traditional *laissez faire*.

III

Since the number of marriages and births reflects so sensitively the fluctuations of income it is only to be expected that the depression produced a new downswing in the falling trend. In fact the depression of 1929 through 1932—bringing with it the greatest unemployment ever known in Germany (nearly 6 million in official figures but actually probably 7 to 8 million), causing a tremendous decrease in the income not only of the workers and

of the commercial and industrial groups but also of the rentiers and the civil servants, and, by no means least, entailing serious political tensions—the depression created a distinctly warlike population cycle, first destructive and later restorative.

Even since 1927 and 1928 various industries, for reasons of technical and organizational improvement, had been dismissing workers, making it increasingly difficult for the younger generation to find jobs. After 1929, in accordance with governmental and trade union instructions, the factory councils prevented the dismissal of married workers with dependent children. As a result of this protection of married workers the greatest proportion of the unemployed—first in industry and later also in the trades and professions—were young persons still unmarried, so that the marriage and birth rates decreased sharply. The government's official publication, *Wirtschaft und Statistik*,⁷ declared that on the basis of the number of men and women in the marriageable age groups and the expectation of marriages calculated for the period 1910-11 there were 330,000 fewer marriages in 1930-32 than should have been contracted in that period.

The monthly statistics of this period show, however, that whenever business prospects seemed to improve there was a slight increase in marriages. (It is significant, as Ernst Wagemann has pointed out, that postponed marriages tend to be contracted as soon as economic prospects seem to be more favorable, and that therefore an increase in marriages is evident even before a recovery in business conditions becomes generally manifest. It may be that the resulting increase in the demand for consumers' goods contributes somewhat to the early stimulation of the recovery cycle, even though not causing it.) Thus even at the deepest point of the depression in August 1932—when the upswing was imminent but not yet generally recognized—there was an increase in the number of those who planned to marry, as was indicated in the rise of marriages in the following months. This upswing was interrupted in the first quarter of 1933, when Hitler took over

⁷ Second issue for November 1934 (no. 22) p. 766.

power, but in the remainder of that year there was the strange and spasmodic rise that has attracted so much attention; the reasons for it I shall not analyze in this discussion of general phases but I shall return to it later. The restorative phase continued through most of 1934 but since that time the marriage rate has declined.

As we have seen, the various short-run developments in population can never be understood except by considering them in relation to the total cycle as it is affected by both economic and demographic factors. Nevertheless, *Wirtschaft und Statistik*⁸ achieves a satisfying comparison by declaring that in 1936 there were 94,321, or 18.3 per cent, more marriages than in 1932, the last year before National Socialism came to power. Such comparisons between the present level and the trough during the depression are now in vogue in German statistical discussions, and it is these selective comparisons that cause so much stupefaction in all foreign publications, from Italy to the United States.⁹

The new decrease in marriages in 1935 is explained by *Wirtschaft und Statistik*¹⁰—in this point taking due consideration of long-run demographic trends—as a result of the fact that the generations which were now entering the marriage age were those whose numbers had been reduced by the smaller number of children born during the war. This factor could certainly have been expected to make itself felt. It was modified, however, by the fact that there was a higher proportion of males among the children born during the war, and thus the possibilities for marriage in

⁸ First issue for April 1937 (no. 7) p. 279.

⁹ Mussolini's paper, *Popolo d'Italia*, declared on February 26, 1935, in an article which in Germany was considered to come from Mussolini's own pen, that if German marriages and births continue the trend they have shown since the National Socialists began their population campaign the German people will increase by about 2 million in the next four years, and in 1950 will reach a population of 80 million. Friedrich Burgdörfer, a well known German population scientist, found it necessary to modify this expectation in his book *Volk ohne Jugend* (1937). After better examination of the figures, he declared, it appears necessary to make certain important deductions from the prognostications concerning future developments.

¹⁰ First issue for May 1936 (no. 9) p. 378.

that generation should have increased. Another demographic factor of such significance that it should have more than compensated the factor mentioned by *Wirtschaft und Statistik* was that by the 1930's the large generation born between 1905 and 1915—the last generation in which there was a normal balance between the sexes and which was not reduced by war losses—was reaching the most customary age of marriage. Thus a considerable increase in the number of married women should be expected during the course of the 1930's. Burgdörfer estimates that the total number of married women below the age of 45 will increase up to 1940, in spite of the fact that from 1930 there will be a decrease in the total number of women of child-bearing age: the number of married women in the beginning of 1931 was 8.5 million, and at the beginning of 1940 it should be 9.6 million.¹¹ Thus the restorative trend in the number of marriages, which began in 1933, should have continued not only through 1934 but in the following years as well. Instead the number of marriages declined in 1935 and since that year has remained fairly stable. In other words, there has been a break in the upward trend that should have been expected.

As to the birth rate, *Wirtschaft und Statistik*¹² hails the fact that in no other European country could there be seen such an increase of the birth rate as in Germany, that from 1934 through 1936, even in addition to the increase of births as a result of increased marriages, there were born 600,000 children more than could have been expected from the low fertility rate of 1933.

Does this prove a rebirth of the German nation? We know that because of the differences in the age composition of the different countries we can discover nothing by merely comparing the various birth and death rates (that is, the annual number of births and deaths per 1000 inhabitants). It is worthless even to compare the general fertility rates, as *Wirtschaft und Statistik* likes to do, because of the differences in the age composition of child-

¹¹ Burgdörfer, *Volks- und Wehrkraft, Krieg und Rasse* (Berlin 1936) p. 129.

¹² Second issue for November 1937 (no. 22) p. 921.

bearing women in the various countries. Whether the 600,000 surplus births in Germany in 1934-36 really constitute a miracle can be determined only from the development within Germany.

We have seen that on the whole the trend of births reflects the cycle of business depression and upswing, as well as the cycle of decreasing and increasing marriages. Depressions strike hardest in the large cities and the industrial provinces, and therefore in these districts there was a sharp decline in the number of births during the depression. The younger couples postponed their first child and the older couples refrained from having a second or a third child. Here again a rapid increase occurred when unemployment decreased. Two thirds of the increase in births in 1934 over 1933 has been attributed to marriages contracted before 1933. New marriages accounted for most of the increase in 1935.¹³ The total increase of births in 1934 over 1933 was most marked in the large cities.¹⁴ There an increase in the number of conceptions had already begun in the last quarter of 1932, that is, in the quarter before Hitler's appointment as chancellor. P. K. Whelpton, speaking of the "psychical rebirth" to which the Germans attribute so much importance, has written: "Did this psychical rebirth occur first in the larger cities and then spread to other parts of Germany? And did it begin in these cities while the Nazis were still struggling for power and not wait until they secured control of the government? Unless both questions can be answered affirmatively, there is little justification in the large-city data for the Nazi claim as to the importance of this factor."¹⁵

Both the general and the legitimate fertility rates reveal, as can be seen in Table III, that the increase in 1934 and 1935, coming after the decline during the depression years, merely restored the rates to their pre-depression level during the 1920's, a level which

¹³ *Wirtschaft und Statistik*, first issue for May 1936 (no. 9) p. 380.

¹⁴ In the large cities the 1934 births exceeded those of 1933 by 37 per cent, in the communities of 2,000 to 100,000 the rise was 28.5 per cent, and in rural communities (where the decline in births during the destructive phase was the smallest) the increase over 1933 was only 18.7 per cent (*Wirtschaft und Statistik*, second issue for March 1936, no. 6, p. 256).

¹⁵ Whelpton, *op. cit.*, p. 310.

TABLE III^a

Year	General Fertility Rate ^b	Legitimate Fertility Rate ^c
1925	80.2	146.
1927	70.6	128.
1928	71.1	127.9
ECONOMIC DESTRUCTIVE PHASE		
1929	68.7	122.2
1930	67.3	118.3
1931	62.0	107.3
1932	59.4	100.6
1933	58.9	99.5
RESTORATIVE PHASE		
1934	73.3	121.5
1935	77.2	126.7
1936	77.3	

^a Compiled from *Statistisches Jahrbuch für das Deutsche Reich* (1937) and from various publications by Friedrich Burgdörfer, especially *Aufbau und Bewegung der Bevölkerung* (Leipzig 1935) pp. 102-03.

^b Live births per 1000 women aged 15 to 45.

^c Live births per 1000 married women aged 15 to 45.

was already low because of abnormal conditions. As far as can be determined from the available figures the fertility showed a decrease in 1937. This situation has been recognized even by *Wirtschaft und Statistik*: "It should be said that the increase in fertility has not continued through 1937, and that the rate is 11 per cent lower than would be necessary to stabilize the prevailing productive strength of the nation."¹⁶

IV

National Socialists claim that they have successfully carried through a new battle for the preservation and purification of the race and for the maintenance of the German people. They declare that the people have eagerly turned to the ideal of individual

¹⁶ Second issue for January 1938 (no. 2) p. 86.

sacrifice for the benefit of the race, so that individuals joyfully undertake the burden of larger families. It is true that in Catholic districts tradition and religious belief are active influences in strengthening the ideal of family life and children. Nevertheless, as far as can be seen from statistics, this ideal has not motivated the groups which furnished the main support for the rise of the National Socialist movement. Neither the geographical districts nor the occupations which built the main pillars of the National Socialist movement participated to any great extent in the rise of marriages and births. On the contrary, the strongest rise occurred in the larger cities and in the worker districts—which did not furnish so many of the first enthusiastic followers of the Nazi movement.¹⁷

I do not wish to deny that some groups may have been highly influenced in their personal behavior by new principles, but the statistics indicate that the mass of the people continued to determine the size of their families according to economic conditions.

Nor can the conspicuous decrease of illegitimate births be interpreted as the result of new moral ideals. On the contrary, National Socialism demands that every pregnant woman be honored. In the entire nation illegitimate births accounted for 12.2 per cent of all births in 1928, for 11.5 per cent in 1932, for 10.6 per cent in 1933, for 8.5 per cent in 1934, and for 7.5 per cent in 1935. The decline began before 1928, and its accentuation after that date was partly caused by the fact that in the ages of nineteen or twenty years there was a smaller number of young women and, in proportion, a larger number of men. A further factor was the system of marriage loans, which I shall discuss later.

¹⁷ In the 1934 increase of births over 1933 the regions that were above the general average of the nation were the provinces of Saxonia, Westphalia, Hesse, Nassau, the Rhineland, and the states of Saxonia, Thuringia and Anhalt—most of them regions with large masses of industrial workers. Far below the average were the provinces of East Prussia, West Prussia, Upper Silesia, Hohenzollern, and the states of Bavaria, Baden, Württemberg, Mecklenburg, Braunschweig, Lippe and Schaumburg Lippe—all of which were to a large extent the political strongholds of the National Socialists.

On the other hand the divorce rate, especially the marked increase of divorces in 1934, was certainly strongly influenced by political factors, that is, by the new attitude of the state toward race.

The number of marriages and births was certainly influenced to a very important degree by one development connected with the new political regime: the tendency toward a lower ideal of living standards. The depression, which decreased incomes so sharply, had already caused the people to revise their ideas of a necessary standard of living. If everyone has to live in a simpler fashion the lower level comes in time to be the socially accepted standard. National Socialism, demanding a general and continuing simplification of life, made a virtue of this necessity. This reduction in consumers' demands was necessary partly because of the lack of raw materials, partly because of the state's determination to keep the nominal wage level down while prices went up.¹⁸ The decreased income level, which could normally be expected to have greatly reduced the number of marriages and births, was counteracted to some extent by the fact that there was steady employment; but in my opinion it was counteracted to a larger extent by this nationwide downward revision in the desired standard of living.

As to the specific means of population policy, Frank H. Hankins, in a very instructive article, has declared: "We may classify the policies designed to check or prevent population decrease as follows: (1) establishment of homesteads, rural and suburban; (2) marriage loans; (3) the honorary godparenthood plan; (4) favors to large families, or to their fathers, of (a) income-tax reductions; (b) inheritance-tax favors; (c) rent allowances; (d) preference in public employment; (e) special safeguards against discharge when employed; and (f) special gifts, allowances, and extension of public services." And Hankins adds, "There is uni-

¹⁸ Cf. Emil Lederer, "Who Pays for German Armament?" in *Social Research*, vol. 5 (February 1938) pp. 70-83.

versal recognition of the economic burdens of parenthood and extensive agitation for the further equalization of them."¹⁹

Most of these measures, however, are only indirectly measures of population policy and were originally introduced for other goals. Some of them had already been established by former governments and were now only reinforced or even reduced. The rural settlement program was introduced immediately after the war, for the political purpose of increasing the German population in the border areas, especially in East Prussia, and also in order to provide land for the second and third sons of peasants so that migration to the cities might be reduced. From the population point of view only the number of new farms is of interest. There were 39,329 new farms established in the period from 1919 through 1930; 18,128 in the two years 1931-32; 9,845 in 1933-34; 7,213 in 1935-36. Even though the size of the farms was gradually enlarged, there was a decrease in the number of families settled annually, so that this can be neglected as a population measure of any great importance; from the general economic point of view, however, there was great significance in this dissolution of the large estates.

Public help for increasing small holdings to a size (7.5 hectares minimum) which would make them eligible as *Erbhöfe*, or hereditary estates, has been widely discussed in connection with population questions. However valuable this may be from an agricultural point of view, it too may be neglected as an important stimulant to increased population, because the number of peasants aided in this way after 1932 was not great enough to be significant. From 1919 through 1936 additional land was granted to 142,219 peasants, but of this number about 90,000 received their land before the end of 1932. In fact, the principle of hereditary estates, which was introduced in 1933, will in the long run operate to reduce the agricultural population unless industrial decentralization is carried through on a large scale, since it means

¹⁹ "German Policies for Increasing Births" in *American Journal of Sociology*, vol. 42 (March 1937) pp. 631-32.

that land can no longer be divided and hence younger sons must migrate to the cities.

The smaller measures designed to prevent migration from the country to the cities were effective only during the period of unemployment. On the whole it is doubtful whether these measures will increase the agricultural population, which already has a higher fertility rate than the urban groups; it is more likely that the smaller cities and the industrial centers, where fertility rates are lower, will absorb the surplus from the rural districts.

In the period after the war, and especially in 1927 and 1928, municipalities and cooperative organizations, with the help of federal and state funds, worked for suburban resettlement, encircling the large towns with rings of garden cities. Also the municipalities and the industrial corporations provided the workers with garden land and small shacks, where they lived during the summer and often raised a large part of their food. The depression strengthened the movement toward better housing for workers. At present, however, the building program lags considerably behind the building activities of 1927-28, mostly because of the emphasis on other public works, such as highways and governmental buildings, and on industrial expansion.

Of the other measures which contribute indirectly toward a population policy, the most important—also introduced before 1933 but after that time reinforced, with emphasis on the support of larger families—are the allowances granted on income and inheritance taxes. These tax allowances, however, can be effective only in the higher ranges of income and property. For the mass of the people they mean only a very small relief of the family burden. Other measures, such as increased medical services for mothers and children or advantages made available to larger families for travel, etc., while desirable in themselves, contribute more to the family's wellbeing than to relieving its burdens. Rebates on school tuition, granted to second and third children, and even cancelation of the entire tuition, granted to the fourth child, are not a significant stimulus to family increase.

The monthly or weekly bonuses for marriage and children granted to civil servants (not only those in public administration but also employees of the post office and the railway company) and to miners, certain groups of white collar workers and officials of banking, commercial and industrial enterprises—which were introduced to some extent even before the war—have not been increased with regard to the decreased purchasing power of income. In a family of four children the bonuses do not even cover as much as half of the additional costs, and in smaller families only a minute fraction (the cost of rearing a child in the lower strata of income groups adds 20 to 25 per cent to a couple's living costs). The National Socialist government has, however, extended the scope of the bonuses.

From October 1935 to October 1937 the government made 500,000 separate lump sum donations, averaging 340 marks each, to large families in the lower income groups. A policy was inaugurated in August 1936 of paying, for the fifth and each succeeding child under sixteen years, 10 marks monthly to all workers in the social insurance system earning less than 185 marks a month. A new order announced in September 1937²⁰ increased the scope of these benefits to include such groups as farmers, craftsmen and retailers, with an annual income of less than 2100 marks, and workers earning less than 200 marks a month. And according to a new announcement grants of 10 marks a month will be paid, starting April 1, 1938, for each of the third and fourth children, and 20 marks for the fifth and every later child.²¹ Dr. Fritz Reinhardt, State Secretary in the Finance Ministry, is reported as declaring that a worker with ten children who earns 160 marks a month will now receive 140 marks a month in family subsidies not subject to any deductions; since about 20 per cent of his earnings is deducted for various compulsory or "voluntary" contributions his family subsidies will amount to more than his working income.

²⁰ *Reichs Gesetzblatt*, 1937, no. 103.

²¹ *New York Times*, March 29, 1938, p. 1.

We may assume that these new steps were resorted to because it was felt that the marriage and birth rates ceased to increase in accordance with the demographic and economic trend. Undoubtedly these new measures will reach a greater number of families and will decrease the burden of larger families. They are therefore a very extensive social aid. The fact that the grants have been extended to include the third and fourth children represents an important development because under the prevailing fertility the average family has only about 2.8 children, though it should have 3.2 if the number of future marriages is not to decline.

It cannot be expected, however, that 10 marks a month will be sufficient to encourage very many couples to undertake the expense of that important third or fourth child. As I mentioned before, bonuses have been paid for a good many years to civil servants of all income groups. Since 1927 these have amounted to 10 marks monthly for the first child, 30 for two children, 55 for three children, and on up to 140 marks monthly for six children.²² But in spite of the relatively higher level of these bonuses the families of civil servants have remained even smaller than the average. Thus the bonuses for the smaller families, which constitute the greatest proportion of all families, are not large enough for the desired increase of population. But they can scarcely be made much larger because bonuses of a size to be really effective would mean too difficult a problem for public finance to solve under prevailing conditions.

As to Berlin's plan of making itself the godparent of additional children, since the first year after its introduction (1935) only about 500 families have enjoyed its advantages. Preference in public employment and safeguards against discharge for fathers of large families are very old measures, but experience has shown that from the point of view of population increase they often work out in a way exactly contrary to what was intended: on the

²² D. V. Glass, *The Struggle for Population* (Oxford 1936) p. 123; this book is to be highly recommended as a general survey of population measures in various countries.

one hand, when retraction is necessary it is the young, unmarried workers who are dismissed, and thus their marriages are postponed; on the other hand, the requirement that married persons be given preferential treatment leads many organizations, even public institutions, to refuse to employ married persons at all.

In short, Germany's much discussed population program has been effective in many ways but, except for two temporary influences which I shall mention presently, it has had little discoverable effect on population. There are a few other measures that might have been attempted. For example, instead of bonuses paid by the state or the individual employer the state might have required industries or regions to share the burden. But as the French and Belgian systems of family allowances have shown, such a plan is no more effective than the bonus plan unless it can be carried out on a scale which has not yet been possible in a society bent on profits and in states bent on armaments. And Hitler might have attempted, as Mussolini has attempted, to make it unfeasibly expensive to remain unmarried and childless. But the bachelor taxes, which Italy has developed with so much publicity are, as D. V. Glass has pointed out, no higher than the cost of a dog license—and it is not likely that they could ever be made higher than the costs that inevitably follow the price of a marriage license.

It would seem, in fact, that the state undertakes a task beyond its capacity when it tries either to cajole or to force an increase in its population.

V

We have been discussing the general trend of population. We have seen that the rise in the first half of the 1930's was to have been expected on the basis of underlying demographic and economic forces and that an even greater rise would have been more in conformance with the objective facts. And we have seen that neither the emotional impetus nor the specific policies of National Socialism contributed significantly to the population increase that did occur.

The fact that the rise that was to be expected in marriages and births took a sudden leap in 1933 and 1934 is not of great importance in the long-run development—as the entire analysis in the foregoing pages has indicated. Nevertheless it is this leap which has engaged the attention of the world, and we should consider why it occurred.

In my opinion two National Socialist measures, working together, pushed up the number of marriages and births above the general curve: the marriage loans and the campaign against abortion. The marriage loans, originally conceived as a measure against unemployment (working women were encouraged to marry so that their jobs would be available for men) and as a measure for stimulating the market for consumers' goods (the loans were given in coupons exchangeable for household goods), are grants of from 300 to 1000 marks, according to the economic and social status of the applicants, made to couples married after August 1, 1933. They bear no interest and have to be repaid at a rate of 1 per cent monthly. The birth of a child during the repayment period cancels one fourth of the original loan, and for families of four children the loan is canceled entirely. From August 1933 to the end of 1937 a total of 878,016 loans was granted, and in 707,867 cases parts of the loans were canceled as a consequence of the birth of a child (though there is scarcely anyone who would say that all of these births are to be attributed to the loans).

At the same time the Nazi government has strictly enforced a 1926 law intended to prevent abortions, and as a result the number of "miscarriages" has decreased tremendously. No general figures are available; the statistics for the women members of the Berlin Sickness Insurance Fund are certainly far above the average, but they probably indicate the general trend in the cities. These statistics show that although in 1929 there were 103.4 miscarriages for every 100 normal births, the proportion of miscarriages fell to 31.5 in August 1934 and 14.3 in April 1935.²³

This combination of preventing abortions and giving financial

²³ Burgdörfer, *Volk ohne Jugend*, p. 509.

encouragement to marriage and the production of children had a conspicuous effect. By December 31, 1933, only five months after the first granting of loans to newly wed couples, 13,610 loans were partly canceled as a consequence of the birth of a child. In the first quarter of 1934 an additional 29,498 were partly canceled, making a total on March 31, 1934—eight months after the loans were established—of 43,108 partial cancelations out of a total of 193,454 loans, or about 22 per cent. Thus it seems obvious that a very considerable number of marriages in the latter part of 1933 and early part of 1934 were contracted because a child had been conceived and because it was more practicable, in the circumstances, to allow it to be born. In the first quarter of 1934 the increase in births over the corresponding quarter of 1933 was 34,109, and on the basis of the facts 29,498, or 86.5 per cent, of these were premarital conceptions.²⁴ As we have seen, the sharp increase in both marriages and births was quickly arrested. It would seem that as the campaign against abortion became more widely known greater care was taken to avoid conceptions.

The further trend of marriages and births in Germany may be expected to follow the long-run decline which started in the last third of the nineteenth century. Only a deep-rooted improvement in general economic conditions and in the distribution of income can be expected to produce an enduring increase in fertility.

²⁴ The paradox of this first quarter of 1934 is especially evident when it is remembered that for the entire year 1934 two thirds of the increase in births over 1933 was from marriages contracted before 1933.

PRICE DISLOCATIONS VERSUS INVESTMENTS

BY EMIL LEDERER

I

THE great depression, which reduced the total volume of industrial production more than any former crisis, is responsible for the shift of opinion in the last few years, especially in this country, concerning business cycles and their cure: investments are stressed as the major, even the only important, problem, while considerations as to dislocations of production and especially of prices are given less weight.

The problem of disproportionate prices has certainly not been forgotten; there are those who hope that the relative prices as well as the price level of 1926 can be restored. But this aim is not based on an analysis of the current situation. Instead it implies, on the basis of a distorted view of older theory, that since business was "normal" at the relative prices of 1926 we need only to return to those prices in order to restore "normality." It boldly assumes that prices determine the situation of business, that we have only to change some relative prices in order to revitalize the productive process. This is a onesided and a fragmentary view, like the idea that we have only to increase investments, if necessary by public spending, in order to maintain full employment. I propose to analyze the problem of prices during the business cycle in conjunction with the problem of investments.

The problem of prices during the business cycle is in fact a host of problems: first, the general price level during depression as compared with prices during prosperity; second, the relations between the various groups of prices—those of agricultural products, of raw materials, of basic products, of semi-manufactured and finished commodities; third, prices in their relation to costs;

fourth, prices in their relation to quantities produced; finally, in all these relations, the necessary subdivision of the cyclical movement into its periods.

We can assume in general that changes in relative prices as well as changes in the price level are a cyclical phenomenon; this is not true, however, of all changes in relative prices. For example, the relationship between agricultural prices and prices the farmer has to pay may be the result of special secular changes. Thus the increase of American exports during the last quarter of the nineteenth century caused agricultural prices in Europe to tumble, and in the same way the decrease in American agricultural exports—after restrictive policies were adopted in Europe in conjunction with an increase, due to technical changes, in the areas under cultivation—caused a sharp decline of American agricultural prices. These were situations of disequilibrium, but though the disequilibrium aggravated a depression it certainly was not cyclical.¹

Theories which hold that the depression is indicated and initiated by changes in relative prices, brought about by a great flexibility in some prices and rigidity in others, necessarily contend that equilibrium in price relations must be restored. They trace the stubbornness of the depression to rigidities which hamper an all-around expansion, in other words, recovery. They contend that an adjustment of prices, and consequently of capital values and wages, would create conditions under which the interrupted trend of economic growth could again be carried on. The automatic forces working for continuous expansion are held in check only by the dislocation of prices; they would be released if the proper relations between prices were reestablished.

In this country it is the price structure prevailing in 1926 which is considered "normal," because conditions at that time were "satisfactory"; but so they remained during the subsequent years until

¹ Cf. Eugen Altschul and Frederick Strauss, *Technical Progress and Agricultural Depression*, National Bureau of Economic Research, Bulletin no. 67 (November 1937).

1929, as all price charts indicate. It is at least open to doubt whether the sudden spread of prices after 1929—the decline of some highly competitive prices to unheard of low levels and the comparative stability of others—was really responsible for the severe depression; it may have been rather that the conditions of the foregoing years, with their “normal” price structure, led to a violent setback which by disrupting demand affected prices in different ways. In other words, unless we take into consideration the relations between prices and the changing costs of production during this prosperous period, scarcely any conclusions can be drawn as to the “normality” of the price structure; on the basis of this “normal” price structure a prosperity developed that was probably fraught with extraordinary dislocations of industry.

II

Price rigidity is often considered to be a main factor in the business cycle. I shall discuss this problem first in an abstract, schematic way, before turning to the situation that has prevailed since the depression.

1. Prices can be called rigid if they do not respond to changes in data—that is, changes in cost and in demand—which should either increase or reduce them according to the theory of competitive prices (monopoly does not necessarily imply rigidity, as will be discussed presently). Thus postal or freight rates are rigid, since they remain where they are even though changes in cost or in demand should lead to their increase or decline.

2. Costs are overhead and prime, or current, costs. The latter are constituted by wages and also by the prices of commodities, such as raw materials, fuel and the like. Prices are rigid if they do not respond to a change in prime costs; and they are stable if they remain unchanged because their prime costs are rigid.

3. Before considering how overhead costs affect rigidity it must be mentioned that according to the theory of competitive prices overhead costs do not count in determining short-run prices; in the latter, since plants and equipment are given, overhead has

to be met anyway, whether or not the enterprise produces. Prices are then determined by marginal prime costs. If less than the optimal quantity is produced prime costs are lower than average costs, and thus selling at prime costs means a loss. There can be a surplus profit only in cases of a great demand, which drives production beyond the optimal point. The system cannot be in long-run equilibrium, however, if the short-run price is either below or above the average costs ("normal" profits included): in the first case the losses will sooner or later lead to the elimination of marginal producers and thus to a reduction of output; in the second case surplus profits will attract other competitors. Short-run equilibrium prices can be at the same time long-run equilibrium prices only if the marginal prime costs happen at the same time to be average costs—which occurs only if the price is equal to lowest average costs. In general we can assume that producers will only reluctantly accept a price which does not compensate them for their overhead.²

Under conditions of decreased demand if the producers offer no resistance to selling at their marginal prime costs the degree to which prices will be reduced without a shrinkage in the quantities produced will depend upon the relation between overhead and prime costs.³ If prime costs are only a small part of total costs a great reduction in prices will be compatible with a very small reduction in output. The prime costs of the farmer are only his direct outlays, such as those for seed, fodder and necessary repairs. Consequently, with shrinking demand and factor prices given, a short-run equilibrium for farm products will be reached at prices much lower and quantities will be fairly maintained; but the reverse will be the case in regard to finished commodities, for in

² This long-run equilibrium, wherein average profits are realized in each enterprise, is dependent upon an identical cost structure throughout the industry; if the cost structure is different profits will be greater in enterprises with lower costs and thus competitors will be attracted and will tend to eliminate producers with higher costs. As far as lower costs result not in profits but in rent, the long-run equilibrium is not endangered.

³ Cf. Rufus S. Tucker, "Reasons for Price Rigidity" in *American Economic Review*, vol. 28 (March 1938) p. 41.

finished commodities prime costs constitute a larger proportion of total costs.

This aspect of short-run prices implies that the producer knows what the price will be and that he can sell any quantity he decides to produce at this market price. If, however, the market price—as a result of unexpected changes in supply or demand or of wrong calculations of the producer—is lower or higher than the price the producer expected, he will have to sell at prices either below or above his marginal prime costs, and therefore in the actual market situation the latter will count as little as overhead costs. Once the prime costs are met—wages and raw materials paid—the producer will sell at any price, since selling below prime costs means smaller losses than not selling at all. Therefore, in view of the time interval between producing and selling commodities, and in view of the uncertainty as to the future market price, prime costs do not in principle play any greater role in the market than do overhead costs. But theory usually assumes that demand is known to the producer; thus prices in markets in which the demand situation has not been exactly anticipated may be called “momentary” prices. Many prices on our markets are “momentary” prices, especially those of agricultural products and of raw materials and in fact of most commodities the sales of which cannot be postponed (either for technical or for economic reasons). “Momentary” prices, in short, are those at which demand equals supply in a market situation which does not conform to the expectations of the producers.⁴

4. Overhead costs are either real expenditures, such as interest on capital (for example, bonds) which must be paid when it falls due, or they are “computed” expenditures, such as those for depreciation or interest on the capital invested by the owner of the plant; in both cases these overhead costs are a part of the long-run

⁴The “cobweb” theorem deals with the patterns of price changes from one period of production to another in cases where “momentary” prices are the basis of changes in production in the subsequent period; cf. Mordecai Ezekiel, “The Cobweb-Theorem” in *Quarterly Journal of Economics*, vol. 52 (February 1938) pp. 255-80.

price. It is difficult to determine whether they are rigid. The ideal of flexibility would imply that they change even with the cyclical change in the costs of reproduction, but this would entail frequent and violent fluctuations, which could scarcely be advocated. Overhead costs can be considered stable in so far as they are constituted by unchanging real expenditures, such as payments on borrowed capital. Thus it is a matter of judgment to what extent overhead costs should be called rigid.

5. So far we have discussed prices in their relation to costs. Costs themselves are prices, however, and thus a part of our problem. The main cost is wages. There are two notions as to what constitutes rigidity of wages. The first is that wages are rigid if money wages do not change even though there is an increase or decline in the prices of commodities that workers buy. The other is that wages are rigid if they remain constant in spite of changes in demand. If there is a decline in the demand for a commodity output will be reduced and consequently, under the law of increasing costs, marginal prime costs will be lower; flexibility of prices with changing demand corresponds to changes in marginal prime costs, which rise or fall inversely to the quantities produced. Labor, however, has no prime costs because its supply does not entail the consumption of given quantities of certain factors, as for instance the production of one pound of cotton yarn no. 75 entails consumption of so many ounces of cotton of a certain quality, of so much fuel, labor time and so on. The costs of labor depend mainly upon the standard of living, which is to a great extent a historical or institutional factor, and we certainly cannot speak of the marginal prime costs of the last hour of labor (hence the disutility concept). Thus in this second interpretation rigidity of wages means that workers are not ready to accept a reduction in real wages when the commodities they produce can be sold only at lower prices. This notion of rigidity refers then not to the short-run but to the "momentary" market situation.

6. We must now consider demand as a factor in price rigidity, but we need to consider only the case of shrinking demand. Flexi-

bility of prices in this case is usually interpreted as an adjustment that is sufficient to maintain the volume of output. If factor costs do not decline a lower price entails selling below marginal costs. This is a "momentary" price, if the falling off of demand is only temporary. If it lasts over a longer period production will decline. The short-run equilibrium price will then be above the momentary price but below the former price, if the marginal prime costs of this smaller output are below the marginal prime costs of the larger output. When there is a lasting change in demand the flexibility of short-run prices depends therefore upon the law of increasing costs; or short-run equilibrium is attained by the elimination of producers with higher costs.

It can be seen that rigidity of prices involves a very complex set of facts, as does also flexibility, which can mean adjustment to the momentary, to the short-run or to the long-run situation. Long-run equilibrium prices are never attained, except with a uniform cost structure; short-run equilibrium prices are rigid if they are maintained in spite of the fact that the "momentary" situation would require lower or higher prices, and the more so if prices are not adjusted to changes in costs or demand. In general it may be assumed that rigidity is lack of adjustment to a short-run equilibrium.

7. But there is still one point which must not be overlooked. So far we have assumed that marginal prime costs increase with increasing production. But in a situation where there is unused capacity and where there are idle factors of production on the market, the marginal prime costs are stable over the range within which demand moves. The supply at current costs will therefore be perfectly elastic, and no decline in output can reduce marginal prime costs. Since under perfect competition the demand curve of the individual producer is also perfectly elastic, total production must sell below marginal prime costs—or no short-run equilibrium can be reached until demand increases again or until the number of producers is reduced. Rigidity of prices in this case is therefore resistance to selling below marginal prime costs. The

characteristics of a momentary situation may then prevail over a considerable period.

8. As competition is a condition of flexible prices, rigidities are usually traced to a lack of competition, that is, to monopoly or to imperfect competition. Hence modern theory dealing with imperfect competition has a bearing on the behavior of prices. This theory shows, however, that under imperfect competition, or under monopoly, prices change with a mere shift in the demand curve. In other words, if demand shrinks while the elasticity of demand remains the same, monopoly and semi-monopoly prices will decline. This is necessarily so if costs remain the same as before the shift in demand.⁵

Though under monopoly and imperfect competition prices do not respond less to changes in demand they are higher than they would be under perfect competition. This lack of competition, where it is not caused by a monopoly of natural resources or by location or by patents, is due mainly to technical progress and to the differentiation of products. As a rule, technical progress increases the size of firms and enables the individual producer—even in the tremendous market of the United States—to influence the price; and differentiation leads to a semi-monopolistic position even for comparatively small producers. Where technical progress and differentiation are combined, as is the case in many industries, prices can be influenced more readily, though the market situation will never be stable inasmuch as competition continues and new producers may break in at any time, especially if profits are above the "normal."

Now as to the level of these non-competitive prices, we find that they are higher than they would be under free competition, given the same technique; but if perfect competition had continued, the new technique, which is a function of the sales of the single enterprise, could never have developed. Mechanized mass production is the outstanding example. It might well be

⁵ Cf. Don D. Humphrey, "The Nature and Meaning of Rigid Prices" in *Journal of Political Economy*, vol. 45 (October 1937) pp. 651-61.

that the products of such mass production—automobiles, for example—could sell at lower prices than they do if with the same technique there were perfect competition; but they would certainly sell at a much higher price if perfect competition had been retained with small-scale production on the basis of skilled labor and fewer machines. Though under present conditions prices are not at the lowest point of the average cost curve—where they would be if there were perfect competition with modern technique⁶—they are well below the lowest point of what would be the average cost curve if there were a less efficient technique.

For commodities produced under conditions of imperfect competition (or monopoly) a higher price may or may not entail surplus profits. Whether surplus profits in the non-competitive industries are to the interest of the competitive industries depends upon the general situation. The investment of such profits will increase the capital supply, help to reduce the interest rate and thus benefit also the competitive producers. This development, however, presupposes a harmonious, dynamic system in which the investment of such profits takes place continuously. It implies, in other words that on the capital market there is sufficient elasticity of supply and demand to make for an instantaneous and continuous absorption of capital; a quick adjustment of interest rates is one of the conditions for such a system. The real economic world never presents itself as this theory of a harmonious expansion with moving equilibrium would have it. Whenever the investment of accumulated capital proves to be difficult, surplus profits cannot benefit the competitive industries. In this case it would serve the general interest better if capacity were so utilized that the output sold at obtainable prices would not allow for surplus profits; this is the equilibrium situation under monopolistic competition, as analyzed by Chamberlin.

If the elasticity of demand decreases, however, the situation

⁶ We can speak of the lowest point of the average cost curve only if the cost structures of the single enterprises are identical.

will be different. This is especially clear if demand becomes completely inelastic at any point of its curve. In this case a reduction of prices will not increase sales. The monopolist will therefore have no inducement to reduce the price below the point at which demand suddenly becomes completely inelastic over a wide range. Under free competition, however, prices would decline even in these circumstances to a level where demand would equal the supply. This is what happens in the case of agricultural prices during depression.

In short, monopoly or semi-monopoly prices are always higher than competition prices, but they are not less elastic where there is only a shift in demand. They will tend to be rigid, however, if the shift is accompanied by any considerable loss in the elasticity of demand. Even though prices are always higher under conditions of monopoly or imperfect competition, output, as a rule, is smaller and profit (under imperfect competition) may be only "normal," as a result of the unused capacity and consequently the higher average costs.⁷

III

Rigidity of prices is considered to be a major obstacle to recovery. Let us assume that rigidity is a failure to respond to the short-run situation, so that prices are not adjusted to changes in costs or in demand over the short period (the "momentary" situation is taken care of either by selling inventories or by producing for inventories). What would be the situation during a depression if all prices were perfectly flexible?

We may take as starting point a market situation in which the demand for producers' goods is declining. Such a situation

⁷ Under imperfect competition the demand of the single producer will depend upon his price, but this would not be the case under free competition. In a perfectly competitive market the producer has to accept the market price. If competition is not perfect, however, the producer or seller may find that the price which is most remunerative, and is at the same time in equilibrium, is not the lowest point on his curve of average costs. The analysis of E. Chamberlin makes this point completely clear; cf. *The Theory of Monopolistic Competition* (Cambridge, Mass., 1933).

will always arise sooner or later if the process of growth is not completely harmonious; and irregularities of growth are unavoidable, if for no other reason because expectations prove to be wrong, and because technical progress entails in capital goods industries an expansion which cannot be maintained.

If the demand for producers' goods is declining the prices of producers' goods will decrease; if marginal producers formerly sold at average costs their prices will now, under competition, drop to the marginal prime costs.⁸ This reduction in prices and output will displace workers and reduce the output of raw materials and so on. If the elasticity of demand for producers' goods is lower than unity the aggregate receipts of producers' goods industries will shrink. Another way of adjustment is the reduction of factor costs. If wages give way and prices of raw materials decline—because their marginal prime costs are lower with a declining production—the halting point for this decrease in costs and consequently in prices will be determined by the elasticity of demand. If a 30 per cent decrease of prices is necessary in order to sell the former output, factor prices, if perfectly elastic, will also have to be 30 per cent lower.

The aggregate receipts of producers' goods industries will then be 30 per cent less while output remains stable. This reduction of aggregate receipts will also, however, reduce the demand for consumers' goods. The prices of consumers' goods will decline if they are perfectly elastic. How far they will decline depends upon the elasticity of demand for consumers' goods, which is a function of aggregate income which in turn depends on factor prices. But this decline in the prices of consumers' goods will lead to a further reduction in demand for producers' goods—and so on. We can therefore scarcely expect that a tapering off of the initial reduction in demand would end the downward trend of prices.

⁸ The marginal producers do not earn their overhead costs, or they earn only a part of them, but the stronger producers whose costs are lower may earn even a surplus profit. If the new price entails losses the marginal producers will be eliminated; then, however, the volume of production cannot be maintained unless stronger enterprises expand.

If wages and prices of raw materials were perfectly elastic, if overhead costs did not count at all in the short run, it would be difficult to find the location of the demand curve, for it is always given under the supposition that aggregate income remains constant. The difficulty of the situation then lies in the fact that with perfect elasticity of prices and a rapid spread of price reductions the demand curve shifts to the left, which makes prices decline and thus causes a further shift in the demand curve. Moreover, since with declining prices people postpone buying, the demand curve will not only shift but will lose in elasticity, and even a perfect flexibility of prices will not prevent the shrinking of production. Even if producers make some profits, they will not wholly invest them. But it is very unlikely that they could make any profits under these conditions of perfect flexibility.

This shrinking of purchasing power, viewed from the monetary angle, is deflation, but it should be stressed that the process is initiated not by a managed reduction of purchasing power—a reduction of credit or calling in outstanding loans—but by a change in demand. It could be counterbalanced by dishoarding or by deficit spending, but if nothing of that kind happened the downward spiral would go very deep. The paradox of the situation is that the flexibility of prices—tending toward equilibrium at lower prices but at the same output as before—drives prices down so swiftly that by reducing or eliminating profits and destroying capital values it threatens to disrupt the whole process of production. Even if all prices were rigid the process would be similar. Production of producers' goods would shrink, workers would be dismissed, consumers' goods output would decline, profits would decline throughout the system. But it seems that at a lower level of production and of profits equilibrium could be reached more easily with complete rigidity than with complete flexibility, especially if the initial reduction in demand is not very great.

In reality this dissolution of the economic system will be prevented by a mixture of flexibilities and rigidities. The fact that

wages are maintained and that some prices are rigid explains why the downward movement does not develop fully. Furthermore, the unemployed will spend their savings, producers will continue to produce in spite of losses and draw upon their reserves, there will be deficit spending by public agencies, and these developments will help to stop the decline of production. Rigidities may thus be considered brakes on the downslide.

On the basis of the foregoing analysis it can be deduced that a price system which consists partly of flexible and partly of rigid prices will prepare conditions for recovery. Thus it seems that if rigidity is indeed responsible for the long duration of a depression it is not rigidity in general, but the rigidity of certain prices which prevents the development of those industries the revival of which is the condition for recovery. But this is a very general statement which needs qualification. I shall try to contribute something to this intricate question.

IV

We may now see whether we can arrive at some conclusions concerning the changes in prices of the various commodity groups since 1929. The history of prices from 1929 through 1937 seems to prove that relative prices did not change to the same extent in the different groups of commodities.

AVERAGE MONTHLY WHOLESALE PRICES^a (1926=100)

	1929	1932	1937	Dec. 1937
Farm products	104.9	48.2	86.4	72.8
Raw materials	97.5	55.1	84.8	75.4
Finished commodities	94.5	70.3	87.2	85.3
Building materials	95.4	71.4	95.2	92.5
Bricks	94.3	77.3	94.3 ^b	92.0
Chemicals and drugs	94.2	73.5	83.9	79.5
Iron and steel	94.9	79.4	98.1 ^b	99.0

^a From *Survey of Current Business*, 1936 Supplement and vol. 18 (February 1938).

^b Computed from *ibid.* (February 1938) p. 24.

The figures in the table indicate that the prices of farm products and of raw materials were very flexible; they went down very far during the depression, rose with recovery and responded to a considerable extent to the recession of 1937. Finished commodities form a second group; their prices went down by about 25 per cent and then rose, and by the end of 1937 they were only about 10 per cent below the 1929 level, while the prices of farm products and raw materials were then respectively about 31 and 23 per cent lower than in 1929.

Finally the prices of basic materials, such as building materials and iron and steel, were reduced by 15 to 25 per cent in 1932 but during the recovery were practically restored to their 1929 level; their prices were then relatively higher than those of finished commodities and by the end of 1937, in spite of the sudden and violent decline in demand, were only 2 or 3 per cent lower than in 1929, and in the case of iron and steel were even higher than in 1929.

It may be added that wages (the average hourly factory earnings in 25 industries) went down from 1929 to 1932 by 15 per cent, and to 1933 by 17 per cent (the wages of skilled and semi-skilled male workers falling by 17 and 18 per cent respectively). They rose then and in 1937 were 20 per cent higher than the 1929 hourly wages. The wages of common labor in the steel industry, which are frequently considered to have a great influence on wage rates throughout the country, declined from 1929 to 1933 by 18 per cent but in December 1937 were 25 per cent above the 1929 level.

A comparison between prices and wages, without further analysis of the process of production, does not indicate the changes in labor costs per unit produced. The increase in hourly wages was not, of course, accompanied by a parallel increase in workers' income, since the number of hours per week declined after 1929. This fact, however, does not alter the significance of wages as a cost factor, except in so far as shorter working hours affect efficiency. Of greater influence is the fact that methods of production

changed to a considerable extent between 1929 and 1937 and with them the output per worker.

The outstanding feature of the price movement as it developed after 1929 (apart from farm products and raw materials) is that prices seem to have responded to some extent, though not equally, to reductions in prime costs (wages and raw materials); only a close investigation of the changes in costs could reveal to what extent. They increased then as costs increased, though here too their relation to increases in costs should be further investigated. If rigidity is to be measured not only in terms of the prices of products, but also in relation to their costs, rigidity was not so great as many economists maintain; it was rather what we have called stability.

Changes in response to changed costs are not the only test of flexibility. There is also the response to changes in demand. If we assume that the change in demand was not "momentary" but was a short-run change, the response of prices was not adequate. In some of the groups mentioned above the reduction in output was tremendous in comparison with the reduction in prices.⁹ The decline in the prices of finished commodities was greater than that of most basic materials, but the output and sales of finished commodities (for example, the sales of department stores) declined much less than the sales of steel, bricks and so on. The increase in the prices of finished commodities which usually takes place during a recovery is not so harmful. When production in general increases, aggregate income also increases and thus consumption will rise in spite of higher prices.¹⁰ An increase in the prices of finished commodities which will put a brake on a rapid expansion of consumption is one of the conditions for the maintenance of profits and for the formation of new capital which will make for a brisk demand for investment goods. This increase

⁹ On this point cf. Gardiner Means' discussion in *Industrial Prices and Their Relative Inflexibility*, 74th Congress, 1st Session, Senate Document no. 13 (1935) p. 8.

¹⁰ The total income of employees rose from 31 billion dollars in 1932 to 45 billion in 1937, or by 45 per cent (*Survey of Current Business*, vol. 18, February 1938, p. 13).

in the prices of finished consumers' goods can be too rapid, but that would show up in a very rapid increase in profits and in an exaggerated investment boom. It was probably not the case during the last recovery.

We may summarize the results of these figures in the statement that a lack of perfect competition enabled the producers of some commodities, especially basic materials, to avoid a cut to marginal costs. They could maintain prices on a level which paid at least a part of their overhead costs, even though they incurred losses.

This lack of response to changes in demand has been especially noticeable during the present recession. Though output has shrunk considerably since the latter part of 1937 prices have not changed much.¹¹ The reasoning of the producers can be interpreted as follows: The sudden change in demand is not only a shift but is also a decline in elasticity, and thus since demand is very rigid it would not be increased by a reduction of prices. Lower prices would entail losses without providing any beneficial influence on the market; on the contrary the market would be "spoiled" and it would be difficult later to raise prices again. As far as demand is postponed it will later revive. If the basic data

¹¹ The price of steel is an interesting example. Composite finished steel and structural steel maintained their prices throughout 1937, while the utilization of capacity went down from 83 to 26 per cent (December 1937). This rigidity of prices enabled the United States Steel Corporation to earn 4.6 million dollars during the last quarter of 1937, though its production in that quarter was only 1.868 million tons as compared with 11 million tons during the first three quarters, when its net earnings were 95.5 million dollars. Even during this very severe recession prices were therefore well above marginal costs (*Survey of Current Business*, vol. 18, February 1938, pp. 48-49, and United States Steel Corporation, "Statement of Earnings and Income Account," January 25, 1938). A similar relation is shown between the index of building construction volume and the index of building construction costs. While the volume declined from 1929-30 to 1933 by 75 to 80 per cent, costs went down by about 30 per cent; then an increase of volume to about 50 per cent of the 1929 level raised costs entirely to the 1929 level, and in spite of the decline of production during 1937 costs went further up; they were about 20 per cent above the 1929 level at the end of 1937, with production down to about 40 per cent of the 1929 level ("A Graphic History of Business and Security Trends," charts published by Standard Statistics, March 4, 1938).

of population increase, improved technique and capital formation lead to an expansion of the economic system they do so only over a longer period, at least over the period of a cycle; and there is no reason to make sharp changes in prices which could not alter aggregate demand over the course of the business cycle.

This reasoning, however, is not convincing. Though it may appear sensible to increase prices with increasing costs and increasing demand, and to keep them relatively stable when demand is not forthcoming anyway, even with lower prices, the argument is too general. What matters is the ratio and the speed of change during recovery and during those recessions which we usually encounter on the way to recovery.

The adequate ratio and speed of price changes for basic materials during these phases of the cycle cannot be definitely determined. To a certain extent an increase in such basic prices is necessary during the upswing for the selection of the proper investment projects. As far as investments are promising they will not be checked by higher prices but on the contrary, an increase in prices, if kept within limits, will stimulate orders. If, however, the recovery is sluggish because promising ventures are lacking, if for any reason confidence is endangered and optimism wanes, buyers will hesitate when prices of investment goods increase. They will fear that their cost prices are out of balance with the prices they can obtain, and they will reduce their orders. If there are no strong forces working for expansion (such as increasing population, or immigration, or the emergence of new industries) and creating expectations of high profits, recessions during recovery are dangerous and a price structure which in other circumstances would not have done any harm may lead to an early breakdown of recovery. Such a situation will very likely breed "lack of confidence"; and a public opinion opposed to public spending (even if it is offset by special receipts, such as those for social security) or to tax legislation may develop as a psychological expression of a weak situation and exert great influence.

Thus it seems that the price situation works differently, according to the phase of the cycle and the secular trend of the whole system. It is therefore possible that the rapid upward movement of prices in basic industries during 1937 may well have curtailed the profit margin of manufacturing industries and have reduced the stimulus toward investments in these industries. If during the setback the prices of basic materials do not respond to the decline in demand, the recession which otherwise would have been temporary may become serious. It seems that the demand is very inelastic, but it may be that it became inelastic only as the result of the high costs of investment.

Any judgment as to the price structure and its role in the business cycle must thus distinguish the various groups of commodities. A mechanical comparison of relative prices is of little value. As a rule a special group of prices will be found of major importance, will hold so to speak a strategic position. An analysis of these prices is necessary and must comprise, for the various phases of the cycle, an investigation of costs and of demand. Then we may hope to find which are the prices that at a certain period are a dangerous obstacle to an uninterrupted flow of commodities and capital. Usually we know in a general way which prices these are (for example, building materials, at the present time, steel), but only an analysis can show to what extent government policy should insist on reducing prices or how far other means should be taken in order to offset the detrimental influence of the price situation.

Government action concerning prices is much more difficult and problematic than a superficial comparison of relative prices would indicate. Should the government—on the basis of economic theory—enforce marginal prime cost prices, that is, prices which entail losses when demand is at a low level? If not, how can it hope to influence prices at all? We are faced here with one of the decisive problems of modern mass production: that it can make for very low prices when industrial capacity is utilized, but will maintain high prices with the falling off of demand

and may thus prevent that part of recovery which depends upon low costs of investment goods.

If this analysis of prices and their working during the cycle is correct, expenditures for public works undertaken during a depression may increase national income and production temporarily, but they will not, in themselves, prevent a development of prices which may prove later to be a stumbling block on the path to recovery; on the contrary, it may well be that such a development of prices will be precipitated by great public works. In spite of this danger the emphasis laid on investments is justified, because even with low costs of investments the adjustment of relative prices may not be sufficient for an expansion of production. Public works may thus be indispensable, in order to launch an expansion. But our experiences seem to prove that these public works should be combined with a careful price policy, which sees to it that the prices of investment goods do not go up too high. Such a procedure would be the more justified since public orders improve the utilization of capacity and thus lead to reductions in average costs which should be passed over to the consumers of the basic materials. There might be some institutional difficulties in exerting such an influence, but once the problem is visualized it should be possible to cope with it. Such a moderating influence on prices would be to the benefit of private business too; once the entrepreneurial spirit remains active over a longer period basic industry will profit, even if prices and aggregate profits over a shorter period would be smaller.

I have dealt mainly with prices and only in passing with wages. The importance of wages, especially in basic industries, is very great though their effect on prices is frequently overrated. And interest rates also play a great role, at least in housing, though probably they have recently hampered industrial expansion. These two cost elements require a further careful analysis. But even these short deliberations may have indicated that the discovery of investments as the pivotal point of recovery must not lead to a neglect of the underlying economic dislocations.

COMMENT ON EXTRAORDINARY BUDGETS

BY GERHARD COLM

BUDGETARY principles were developed in a period when parliaments were struggling for control of administrations which tried to evade a democratic supervision of financial management.¹ They present a system of norms which prescribe how a budget ought to be constructed so that through the appropriations the administration may be completely supervised and bound as closely as possible. In elaborating these norms the science of public finance did not pay much attention to the question as to what margin of discretionary allowance an administration needs for an efficient execution of its duties. Thus it is not surprising that we do not find anywhere a budget which complies with the "scientific principles," and it may even be questionable whether such a budget would be ideal. In reality an ideal budget is one which reconciles as far as possible the two objectives of democratic control and administrative efficiency.²

An extraordinary budget has always been regarded as a violation of one of the main budgetary principles, the principle of "unity." Stourm has declared that "Extraordinary budgets are regarded everywhere with suspicion . . . they have been usually condemned."³ This disapproval is uttered in almost every book on the subject—and yet extraordinary budgets in one or another form are to be found in many countries. Since July 1, 1933, the

¹ For a short enumeration and discussion of these principles see J. Wilnar Sundelson, "Budgetary Principles" in *Political Science Quarterly*, vol. 50 (June 1935) pp. 236 ff.

² The budget systems of the American states and of various foreign countries are described concisely in the inexhaustible source book of information, *Tax Systems of the World* (Chicago, 7th ed. 1938).

³ Quoted by A. E. Buck, *The Budget in Governments of Today* (New York 1934) p. 140.

United States government too has applied a double account in the statements of the Treasury and in the budgets, thereby departing from the principle of budgetary unity to which it had adhered before. The establishment of an extraordinary budget—called first an emergency budget and later a budget of relief and recovery expenditures—found a few advocates in the literature of the subject.⁴ Recently, however, it has been severely attacked by Fred R. Fairchild: “. . . it can readily be shown that the use of the double budget has tended to obscure the true picture of the national finances.”⁵ Fairchild’s criticism implies—certainly in accordance with the traditional opinion in public finance—that the extraordinary budget should be abandoned as soon as possible and by all means prevented from becoming a permanent feature of the federal budget.

Was it wise to adopt an emergency budget in 1933? Should this policy be repeated or avoided if similar conditions should occur again? Should the extraordinary budget be abandoned or should it become a permanent feature of the federal budget?

I

The Emergency Budget

As a presidential candidate F. D. Roosevelt had promised to curtail federal expenditures and to strive for a balanced budget. On March 10, 1933, within the first week after his inauguration, the President asked for authority to curtail government expenditures during the current year.⁶ This aim, however, conflicted with the

⁴J. W. Sundelson, “The Emergency Budget of the Federal Government” in *American Economic Review*, vol. 24 (March 1934) pp. 53 ff., approves the introduction of the emergency budget but warns against a possible misuse. F. Neumark, “Aktuelle Probleme des Budgetwesens” in *Österreichische Zeitschrift für Bankwesen*, vol. 2 (November 1937) pp. 328 ff., regards the establishment of an emergency budget as a necessary correlate to the recovery policy of deficit spending.

⁵“The United States Budget in the Past Decade” in *Expenditures of the Federal Government*, Proceedings of the Academy of Political Science, vol. 17 (January 1938) p. 446.

⁶Cf. F. D. Roosevelt, *On Our Way* (New York 1934) pp. 18 ff. (Economy Act of 1933).

recovery program which was proposed in messages of the next few days and which implied spending on a large scale. How could the two aims be reconciled? The answer was the double budget. The emergency expenditures were separated from the general budget, which contained all the current administrative expenditures and was to be balanced against ordinary revenues. The emergency budget was financed by borrowing. To a certain extent emergency expenditures were made by independent government-owned corporations, such as the Reconstruction Finance Corporation, the Federal Farm Mortgage Corporation and the Home Owners' Loan Corporation, which were authorized to finance a part of their activities by loans guaranteed by the United States. As far as they made use of this authorization their expenditures did not appear in the budget at all but were shown only in appendices to the financial statements and budgets.

This article is not intended to discuss why deficit spending is held necessary for overcoming the contraction of purchasing power in such circumstances as prevailed during the depression and as may occur again. Our question is whether, if emergency expenditures are made, it is a sound policy to eliminate them from the general or ordinary budget.

There is a certain technical justification for such a separation of the "normal" and the emergency expenditures. Estimates concerning the latter are much less certain than those concerning current administrative expenditures, and cannot be itemized as well. They necessitate later corrections to a much greater extent. It is to the interest of careful and responsible budget estimates that there be no mixing of these two categories of expenditures. Separation serves also to promote administrative thrift. Even those who hold that lavish spending during depression is an economically necessary policy must admit that it threatens to undermine the fiscal morale of the government. Keeping ordinary expenditures separate from emergency spending and requiring that ordinary expenditures be met by ordinary revenues seems to be the only device for maintaining fiscal morale in such an emergency

period. It may often appear paradoxical to economize in the current administration at the same time that emergency organizations have plenty of money to spend. Such a policy will appear the less paradoxical the more the public is convinced that the emergency funds are spent for useful purposes.

A serious objection to such a separation of the extraordinary budget is that the line of demarcation between the ordinary and the emergency budget is partly arbitrary. If an administration wishes to conceal a deficit even in the ordinary budget, it can disguise normal administrative expenditures as emergency expenditures; if it wishes to justify the enactment of new taxes or of increased tax rates, it can give the appearance of a deficit by shifting expenses from the extraordinary to the ordinary budget. Such a manipulation is certainly possible, and this possibility diminishes the value of attempting a distinction. Nevertheless it seems better to apply a not entirely satisfactory distinction than no distinction at all. It can hardly be contended that the present administration has made use of such manipulations to any substantial extent. Fairchild (*op. cit.*) cites as an example of incorrect budgeting the shift in 1936 of the expenditures for the Civilian Conservation Corps from the recovery and relief budget to the general budget. I would call such a shift on the contrary an example of accurate budgeting. Many ordinary functions of the government develop from emergency situations. If the executive wishes to propose that expenditures first authorized during and because of a depression should be maintained after the depression has passed, he should shift their estimates to the ordinary budget.

These considerations lead to the conclusion that in a period of depression and deficit spending the establishment of an extraordinary budget seems to promote rather than to impede the purposes which the budget ought to serve. The same can be said for a period of war.⁷ The statement that the extraordinary budget

⁷ Even such a severe critic of the extraordinary budget as Gaston Jèze approves its use in a time of war; cf. his *Cours de science des finances et de législation financière française, Théorie générale du budget* (Paris, 6th ed. 1922) p. 198.

has "tended to obscure the true picture of the national finances" does not appear to be justified.

If it is acknowledged that emergency expenditures should be separated from the "normal" administrative expenditures the question must be raised whether it is preferable to include emergency expenditures in an extraordinary budget or to exclude them from the budget entirely. As has already been mentioned, certain emergency expenditures, executed by government-owned corporations, have not appeared in the budget because they were financed by loans guaranteed but not issued by the federal government.

When the new depression occurred in 1937 the President seemed to be in a predicament similar to the one that faced him in 1933. At both times he had pledged to balance the budget; at both times he made sincere efforts to execute his promise; at both times economic conditions urged him to consider a spending program instead. In 1933 the way out was found in balancing the general budget and in spending on the basis of an emergency budget. In 1937-38 he seems inclined, if press reports are correct,⁸ to embark on a large-scale program of road construction. It has been suggested, for instance, that a system of transcontinental roads be built, financed by guaranteed loans and managed as toll roads on a self-supporting basis. Such a spending program would not be included in any budget, and it would be compatible with a policy of budget balancing.

In an age in which governments are forced to embark on many quasi-commercial ventures new forms of government management must be developed. The government-owned corporation (such as the German Railway Corporation, the British Central Electricity Board, the American Tennessee Valley Authority) combines the necessary public control with the equally necessary flexibility and independence in management. The practice of including in the budget only the surplus or deficit of such corporations, although a violation of the budget principle of "com-

⁸ *New York Times*, February 16 and March 2, 1938.

pleteness," must be regarded as an important improvement of budgetary procedure, and in the literature of the subject it has met with practically no resistance. If the capital of such corporations is allotted from general funds it must appear as expenditure either in the ordinary or in the extraordinary budget. If the capital is procured by issues of these corporations it does not appear in the budget. The latter procedure may be preferable for psychological reasons; Great Britain, for example, impressed the world by showing a balanced budget while at the same time certain governmental activities were financed outside the budget. It may be preferable for constitutional reasons, as in the case of such American states as have a constitutional limitation of indebtedness. In certain circumstances it may be preferable for fiscal reasons, since government-guaranteed loans, suitable for a specific market, can be issued at favorable terms without affecting the market conditions for government loans proper.

Under the principle of "publicity" in fiscal matters it is necessary, of course, to publish the amount of such guaranteed issues in appendices to the budget and to the statements of the Treasury. It must be regarded as a misuse of this method when such a procedure is followed as in Germany, where rearmament has been financed partly by bills drawn upon government-owned corporations and these bills omitted from the statement of the government debt.

This method of extrabudgetary financing may involve one danger even if the principle of publicity has not been violated. Self-liquidating projects, financed by guaranteed loans, may be good or bad investments, but a government which is considering emergency expenditures may be tempted to prefer such projects because they would make it possible to show a balanced budget. A project which can be managed on a self-liquidating basis is not necessarily better than other projects which cannot be financed in such a way. In deciding, for example, whether projects for flood control or for transcontinental highways are preferable, the fact that the latter could be financed on a self-supporting basis

should be only a secondary consideration. The urgency of a project from the point of view of the national productivity ought to be the primary concern in deciding on such a program. And again, if it is decided to construct transcontinental highways, it may be better or worse to finance them by levying tolls than to finance them by taxes; the question should be considered on the basis of the comparative merits of the various methods of financing, and not on the basis of whether a particular method will make it possible to show a balanced budget.

A second method by which emergency expenditures can be removed from the budget is the establishment of funds to be accumulated in prosperous times and disbursed in periods of depression. The outstanding example, of course, is unemployment reserves, whether of the type of the British Unemployment Insurance Fund or of the American Unemployment Trust Fund. Most experts agree that these funds, considering the rate at which they are accumulating at the present time, can in a severe depression serve only as a first line of resistance. They will not make other emergency expenditures unnecessary. But there can be no doubt that with the development of such funds the problem of an emergency budget may decline in importance. It must be emphasized that this estimate of their significance is only from the point of view of budgetary procedure, for their economic importance is much smaller. The disbursement of the funds in a depression requires liquidation of the assets, that is, the sale of government securities, and this is not so different from financing a budgetary deficit by borrowing.

II

The Loan Budget

The emergency budget develops out of the necessity to propose certain extraordinary expenditures, be it for fighting a depression or for financing a war. The fact that the ordinary budget should be financed by ordinary revenue does not imply that the emer-

gency budget should be financed entirely and always by borrowing. Whether it is financed in this way depends on the whole set-up of fiscal and credit conditions at a specific phase of the depression or recovery period. In this respect the emergency budget is different from the practice of those countries which do not include in the budget and the general appropriations expenditures which are to be financed by loans. Great Britain and Prussia, for example, have enacted special laws for the authorization of loans.⁹ Many other countries which have extraordinary budgets regard them as the estimate of those expenditures which are to be financed by loans. The extraordinary budget then becomes a loan budget and takes on the character of a permanent institution. A discussion of what belongs to an extraordinary budget of this type leads necessarily to a discussion of the purposes for which borrowing is regarded as sound policy.

It is mostly taken for granted that investments in self-liquidating projects can be financed by credit. If it is sound to finance by capital issues the private construction of a steamboat, after a careful examination of the demand for its services, it is equally sound to finance a public toll bridge or a public power project in the same manner. Borrowing is regarded as justified for such a purpose because the debt service for the loan will be met by the revenue and no increase in tax rates is required.

What holds true for self-liquidating projects holds true also for all other types of "productive" investments. If the government builds roads which, without a toll, will induce such an increase in traffic that the enlarged revenue from gasoline taxes will meet the additional debt service, or if a new system of country roads reduces the costs of farmers in bringing their products to the market, thus increasing their net income and therefore their tax ability, then the situation is not in principle different from that of a self-liquidating project.

The difference between "profitable" and "productive" investments (if we may use this terminology for distinguishing these

⁹ The British Defense Loan Act of 1937 is the most recent example.

two types of governmental outlays) is that in the latter case the result is indirect and much more difficult to discern and to predict. For both types of expenditures it seems to be sound as a permanent and not only as an emergency measure to finance by borrowing. This leads to the establishment of a loan budget as an essential part of every budget.

It appears questionable, however, to include in the extraordinary budget "investments" in battleships and similar "durable" goods, as has been done repeatedly in Germany and also in Great Britain. The argument for financing such expenditures by loans is that these "durable goods" are designed to serve for a long time and should not be financed by the present taxpayers alone. This argument involves an economic fallacy. If the factors of production are approximately fully employed in a specific situation, then public borrowing diverts funds from other uses and may bring about a scarcity of capital which will not only affect a future generation of taxpayers but will cause an immediate reaction upon the present business situation. If, however, there are idle productive factors and credit reserves, then it may be justified to finance by borrowing, irrespective of the "durable" or "non-durable" character of the projects. Again it must be emphasized that it is not the intention of this discussion to contribute to the theory of public borrowing. Our point is only that the function to be served by public borrowing leads to certain conclusions concerning the methods of budgeting.

The traditional notion of the extraordinary budget rested on the belief that there were governmental outlays of a specific type (whether for self-liquidating or productive purposes or for "durable" goods like battleships) which could be financed by loans and could therefore be included in the extraordinary or the loan budget. Here principles of private financing were applied to the public sphere. There is certainly no mistake in believing that when public agencies borrow for the creation of productive assets it is fundamentally the same as when private agencies borrow for this purpose. The difference is merely that a government must

pursue not only a sound fiscal policy but also a sound economic policy. Sound economic policy may sometimes make it necessary to borrow for expenditures of a non-productive character and at other times to meet productive outlays by ordinary revenue. The policy must be different in times of "oversaving," when it is necessary to absorb private capital for government purposes, from what it is in times of a scarcity of capital, when "compulsory" capital formation through taxation is sound economic policy. The adequate method of financing cannot be determined by an analysis of the type of expenditures alone; in addition the situation in the business cycle has to be considered. Fiscal policy must be integrated with the whole economic policy, and the budget procedure must be adapted to this new task of governmental policy.

III

Budget of Capital Outlays

Recently another interpretation of the extraordinary budget has won ground. Austria, for example, transformed her extraordinary budget into a budget of investments; the City Charter of New York provides for a budget of capital outlays; a very interesting report on fiscal policies¹⁰ recommended recently the introduction of a capital budget for the state of New York. The capital budget differs from the loan budget mainly in the fact that in the former it is not predetermined whether or not the expenditures that are included should be financed by borrowing. For example, the New York State report, which recommends the adoption of a budget of capital outlays, also recommends a strict pay-as-you-go policy.

What is the use of having a budget of capital outlays if it is not distinguished from the general budget by a different method of financing? It is true that we are interested in knowing what amounts governments spend for investments as distinguished from current expenditures, but for this, we may say, statistical interest

¹⁰ State of New York, *Report of the Joint Legislative Committee on State Fiscal Policies* (1938) Legislative Document no. 41, part 4.

a separated budget would not be needed. It would be sufficient to distinguish current expenditures and capital outlays in every division of the budget.

The justification and expediency of an extraordinary budget as a permanent institution lie in the fact that for preparing the estimates of capital outlays and for the appropriation and execution of these expenditures it is advisable to adopt methods which are different from those used in connection with expenditures for current administrative purposes.

For current administrative expenditures it is a sound policy for budgetary estimates to be prepared by the spending departments. The same method used for capital outlays leads, however, to a result which has been described as follows by the New York State report on fiscal policies: "At the present time in actual practice, allotments for capital outlays are not recommended strictly in accordance with relative urgency. Each department urges the item which it considers of greatest importance to it and, unless some department's requests are obviously of secondary importance, an attempt is made to give some capital appropriation to each department. It is a little like dividing the kitty, each department securing its most pressing needs even though it may happen that, from the point of view of the State as a whole, all the needs of one department may be more urgent than even the most important of another." Such considerations lead to the conclusion that a specific procedure for the preparation of the capital budget is advisable; this plan has been followed in the City of New York, where the budget of capital outlays is to be prepared by a Planning Board. The National Resources Committee is engaged in preparing projects which may lead eventually to the formation of a federal budget of capital outlays.¹¹

Also from the point of view of appropriation it seems advisable to distinguish capital outlays from general expenditures. In the United States the budget appropriations are interpreted as "mandatory," that is, the executive has no control over the amounts

¹¹ Cf. National Resources Committee, *Public Works Planning* (December 1936).

appropriated to the administrative agencies.¹² It may be questioned whether it lies in the interest of economic administration, even as far as current administrative expenditures are concerned, for appropriations to be mandatory. It would probably be more desirable if the mandatory character of appropriations were interpreted to mean that the vote of Congress implies a mandate only to execute the governmental function for which the money has been appropriated; this would be a political mandate, and not the same as a fiscal mandate to allot the money. If the executive is able to carry out the functions in a more economical way he should be obliged to do so. But the political mandate to carry out the functions for which an appropriation has been made would still be retained, and must be retained in the whole field of current administrative expenditures. For the capital budget, however, it seems more desirable for the appropriations to have a conditional character. The executive should be authorized but not requested to spend this money.¹³

A further reason for distinguishing the general budget and the budget of capital outlays is their difference in regard to the time after which unspent balances should lapse. It is true that even for current expenditures uneconomic spending often ensues from closing the accounts at the end of the fiscal year,¹⁴ but if the departments were allowed to retain unspent balances for several years after the appropriation had been made, they would be tempted to accumulate large funds and might develop into finan-

¹² Cf. A. E. Buck, *op. cit.*, p. 246. That this interpretation is recognized can be inferred indirectly from the administration's request in the 1938 budget for authority to veto isolated items in appropriation bills without referring back to Congress entire legislative acts. Cf. also the President's Committee on Administrative Management, *Report* (1937) p. 155. It is not certain that the interpretation of the appropriations as "mandatory" describes the legal situation quite accurately.

¹³ The appropriations in the German extraordinary budgets after 1928 were of such a conditional character; the money could be spent only under certain fiscal and economic conditions, and the decision rested with the Secretary of the Treasury.

¹⁴ In Germany the monthly statistics of government purchases showed a remarkable peak shortly before the end of the fiscal year, when the departments spent the balances of their appropriations before they lapsed.

cially independent principalities, able to evade parliamentary control. For all long-term projects, however, the limitation of appropriations to a single year involves much greater disadvantages than advantages. It may be possible to estimate the approximate cost of a project but it is impossible to predict accurately how much money will be required in each individual year. Even for technical reasons such a prediction is difficult, but it becomes entirely impossible if there is an intention to gear the government's capital outlays to the requirements of the business cycle. When public investments become a measure of economic policy designed to smooth business fluctuations, the legislature cannot bind the administration in advance to spend a specific amount of money for each project in each year.¹⁵ Appropriation of the amounts and the timing of their expenditure ought to be separated, the first remaining a legislative, the second becoming an executive duty. The administration should annually bring before the legislature a budget of capital outlays which has been prepared by a planning authority and which covers plans for a number of subsequent years. Appropriations for this budget should be conditional in character, that is, they should not bind the executive to spend the money if conditions do not require it, and the timing of the expenditure should be left to the administration's discretion.

Such a budget of capital outlays does not necessarily include all expenditures for investments but includes only those which are related to a major program. It would enable the administration to increase governmental outlays as soon as it becomes apparent that private investments are slowing down. Moreover it would prevent a haphazard enactment of insufficiently examined projects and—in combination with adequate unemployment insurance reserves and with operations of government-owned corporations (such as the RFC)—it might even make it unneces-

¹⁵ The German budget in the time of the republic limited appropriations to one year unless a carryover were especially voted. Only the appropriations of the extraordinary budget and those for non-recurrent ordinary expenditures were available for a period of three years without any special vote.

sary to introduce emergency budgets during a depression period.

A budgetary procedure of this kind involves certain constitutional and administrative problems which can only be alluded to here. There is the old question of how far one Congress can go in voting a plan which extends beyond its own lifetime. But since this budget would come up for vote every year for possible modifications, and since every Congress is free to repeal authorizations voted by its predecessor, this cannot be regarded as a real difficulty. Another question is what administrative agency should be commissioned with the decision of timing the spending of money appropriated for capital outlays. If this policy is regarded as a device for smoothing business fluctuations the task far surpasses the duties of the Treasury. It might be advisable to delegate this function to a board consisting of representatives of the various departments and of the Federal Reserve Board. Such a board, functioning with great discretionary power under the responsibility of the President, should secure the coordination of all the various agencies which are engaged in economic policies designed to smooth business fluctuations.

THE SOCIAL DETERMINATION OF IDEAS¹

BY HANS SPEIER

RELATIVISTS who point out the futility of any philosophy which concerns itself with human nature in general, since this nature is time- and spacebound, are sometimes unaware of the fact that their own relativism, whether it be social-historical, racial, psychological or of any other brand, presupposes a "philosophical anthropology": it happens to be no less general than the generalizations it would discredit. (All theories of the relation between ideas and the world we call social have philosophical implications.) They imply general propositions concerning the nature of social reality, history, man and reason.

One can understand quite well that the philosophical character of these propositions will incline the sociologist to declare himself uninterested in their discussion. His concern in the field of intellectual history is the study of the concrete complex composed of ideas, institutions and social relationships. But the nature of his investigation forces him twice into the philosophical arena. When he formulates a working hypothesis he in fact formulates a tentative philosophy which provides him with a frame of reference for his research. Again, when he comes to develop generalizations on the basis of his findings, he is taking a philosophical stand.

The issue is indeed not a question of whether these basic problems should be included in, or excluded from, sociological theory but simply (whether or not the sociologist is aware of the fact that he has to take them into account.) The value of theoretical con-

¹ This article is based on a paper read at the annual meeting of the American Sociological Society, December 1937. The author is indebted to Professor Max Wertheimer for valuable criticism.

siderations in the field of sociology of knowledge will only be impaired by their neglect.

Three questions in particular seem to be in the way of a satisfactory account of the relations between thinking and social reality: a certain ambiguity in the term "human needs" and a subsequent confusion as regards the meaning of theoretical reasoning; a disregard for certain kinds of social action; finally a petrification of the basis-superstructure scheme which figures perhaps more prominently in contemporary Marxism than in the writings of Marx and Engels.

The following considerations are sketchy. Despite the possible misunderstandings which they^b for that reason invite they are offered as critical remarks in order to make way for the discussion which follows. In that discussion will be outlined an approach to a sociology of knowledge which tries to avoid the pitfalls of sociological determinism.

I

Let us start from the proposition that social reality exists in the form of social actions which satisfy needs. The general (natural) and the specific (cultural) aspects of these needs can be distinguished only by the analyst, not by the agent as agent. Man must always eat in order to live, but the way he satisfies his need for food depends on the existing state of social organization.

The theories which claim that ideas are socially determined regard thinking as instrumental to action.² The relation between ideas and social reality is therefore constituted in the medium of needs. A direct relationship exists when thinking offers efficient means for satisfying a given need and when the satisfaction of specific needs is encouraged in preference to others that are possibly disparaged. These modes of thinking may be called *technical* and *promotive* (persuasive). There is another kind of reasoning. It does not overtly suggest means for reaching a given end, nor can it be adequately defined as persuasion for the adop-

²This position is inevitable in such theories, though it is not always made explicit.

tion of a specific policy, although it may concern itself with both technical and promotive questions.³ This reasoning may be called *theoretical*.

The difference between these two types of thinking is admitted even by naturalistic theories of reasoning which point out that the structure of thought processes resembles that of actions. Even if one considers reasoning as "doing in thought or imagination what was originally done by actual trial" (Rignano), it is at least implicitly conceded that the thinking involved in actual trial differs in character from thinking "in thought." Similarly, Pillsbury's distinction between inventive reasoning, which arises when man is confronted with a definite physical obstacle, and scientific reasoning, which appears "when some event is not understood, when it fails to fall into any of the classes previously known," is more important than his irritating suggestion that scientific reasoning represents "the more passive type" of the two kinds of thinking.⁴

Whether theoretical reasoning is concerned with nature, God, the social-cultural world or with itself, it has no immediate and no necessarily intended relationship to change which is to be brought about by human agents. Its objective is to understand something rather than to deal with something that presents obstacles to action and calls for their removal. The emphasis upon the cognitive implications of will, action and feeling should not blur the fact that, however practical the origin of cognition may indeed be in certain spheres of knowledge, as in ethics for example, the specific truth contained in cognition cannot be identified with or reduced to anything in the practical sphere.⁵

³ Aristotle's treatise on rhetoric is a notable case in point. Friedrich Blass has pointed out that Aristotle's *Rhetoric* has been of little use for practical purposes and has never made an orator; cf. his *Attische Beredsamkeit*, vol. 2, p. 393, and Georgiana Paine Palmer, *The Τάτοι of Aristotle's Rhetoric as Exemplified in the Orators* (Chicago 1934) pp. 81 ff., and the book by Hans von Arnim cited below.

⁴ W. B. Pillsbury, "Recent Naturalistic Theories of Reasoning" in *Scientia*, vol. 36 (1924).

⁵ Cf. the discussion in Herman Schmalenbach, *Das Ethos und die Idee des Erkennens* (Tübingen 1933).

Theoretical reasoning too may be dealt with in terms of human needs and satisfactions. If a mathematician, in working upon a problem, hopes to accomplish something apart from the successful completion of his work, be it power, economic gain or increase in prestige, he has needs which are human but obviously irrelevant as far as his solving the problem is concerned. He may rightly expect to be honored and to become influential or rich when he succeeds in his task. But it is obvious that preoccupation with those needs will actually interfere with the completion of his work. The same holds true of any needs he may have for "applying" the possible result of his investigation to a practically important field of action. On the other hand, it would be absurd to deny that he has a need for finding the truth when he is engaged in endeavors to reach it. Thus it may be said that both needs and satisfactions may be either *irrelevant* or *pertinent* to the accomplishment of the thought process. Pertinent satisfactions are those which accrue from the accomplishment as such; they are impersonal and consist only in having found the truth. Irrelevant satisfactions are derived from the fact that the new knowledge may figure as a means in a chain of actions or in personal relationships with others. Irrelevant satisfactions are meaningful in a context composed of obstacles to actions and efficient means for overcoming them, or in a context composed of the agent and others; the truth is instrumental in these contexts. Pertinent satisfactions are meaningful only in relation to the self-contained truth that has been reached.

If one holds that ideas are socially determined one might be inclined to discard such considerations as "psychological" and consequently irrelevant in a sociological setting of the problem. In the theories of the social determination of ideas the "psychological" aspect of the problem is either altogether disregarded or is disguised in terms which baffle empirical investigation, as in the case of Karl Mannheim's basic contention that the thinking individual participates in "unconscious motives" of social classes or groups.

The terms which are used to define the relation between ideas and social reality differ widely. They include condition, dependence, reflection, influence, determination, and many others; sometimes they are meant to pertain to the mere selection of the problem, sometimes to the truth discovered, or to the way in which a problem is put, or to the time at which it is raised, or to the methods of coping with it. They are put forward sometimes alone and sometimes in combination.

(In any case it is difficult to conceive concretely of a social determination of ideas without assuming that the thinking individual identifies himself with certain needs of others who do not think and who want to act rather than to think.) There are situations in which it does not appear far-fetched to make this assumption. For example, the increase of nautical and geographical research in seventeenth century England may be understood with reference to the needs of those men who profited from progress in these sciences, lent their financial support to the research and associated socially with many scientists of the day.⁶ But even in such lucid situations it remains a fact that every piece of research requires men actuated by the desire to know, men who are dependent on an intellectual tradition and equipped with the ability to detach themselves from needs irrelevant to their scientific thinking.

(It is not unusual to regard the practical application of theoretical thinking as proof of the contention that the theory itself was called forth by the specific needs which it ultimately helped to satisfy.) This attempt to solve the problem of the actual relation between thinking and social reality involves a methodological fallacy if the practical application was not foreseen, and precisely this lack of foresight has been a frequent incident in intellectual history. Nor can this interpretation account for the fact that often in history urgent economic needs remained unsatisfied while

⁶ Cf. E. G. R. Taylor, *Tudor and Early Stuart Geography 1583-1650* (London 1934), and Louis B. Wright, *Middle Class Culture in Elizabethan England* (Chapel Hill 1935) ch. 14.

the technique of satisfying other needs happened to be improved by the practical application of scientific discoveries. "Boyle foresaw that chemistry, geology, botany, genetics ought to be able to transform agricultural methods; but for more than a century after this time they were still only groping towards the cardinal discoveries which enabled them to do so."⁷

G. N. Clark has given an instructive account of the various influences affecting the scientific movement in the age of Newton. He has shown that they by no means arose only from economic interests, but that they derived also from war, the arts, religion, medicine and—"the desire to know." His critical discussion of Hessen's thesis that the philosophy of Newton embodies the characteristic traits of the rising bourgeoisie closes with a charming anecdote. "A friend to whom he had lent a copy of Euclid's *Elements* asked Newton of what 'use or benefit in life' the study of the book could be. That was the only occasion on which it is recorded that Newton laughed."⁸

[The need that is pertinent to theoretical reasoning is the desire to know. This need is "natural," although its satisfaction may be stifled or facilitated by the specific conditions under which man lives. Some of the theories which insist on the social determination of ideas do not confine themselves to analyzing the conditions of this determination but are anxious to interpret the specific results of reasoning in terms of the specific needs present in the social situation. Instead of determining these needs concretely, which is, to be sure, not an easy task, they are likely to proceed on the assumption that certain needs are necessarily basic, so that inquiry into the structure of needs in a given situation appears superfluous. The economic need for gain, the political need for power, the social need for recognition figure prominently in the theories which attempt to uphold the social determination of ideas.]

⁷G. N. Clark, *Science and Social Welfare in the Age of Newton* (Oxford 1937) p. 90.

⁸*Ibid.*, p. 91.

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The satisfaction of these needs is comparable in that in each case it makes for differential security among the members or groups of society. One may add therefore that these "basic" needs are conceived as functions of differential insecurity. Social action, then, is considered to have as its natural objective an egoistic shift in the balance of security. When reason is regarded as instrumental to social action thus conceived it is only logical to distrust reason's claim to universal validity, because in a competitive situation of unequal distribution of security this claim must be dismissed as unwarranted and "selfish"; it can merely reflect the need of one relatively secure group to maintain the status quo or the need of another relatively insecure group to improve its situation.

When the relations between ideas and social reality are analyzed on these grounds, a derogation of theoretical reasoning is indeed inevitable. It becomes intrinsically connected with the narrow conception of social action to which it refers. In a view which understands human nature only on the basis of its comparative insecurity man's thinking as well as his acting is distorted. We do not think well when we are afraid.

It may be well to recall a few illustrations of this derogation of reason.

The most outstanding of these is Nietzsche's theory that truth is merely the result of a covenant concluded by the weaklings, who resort to reason and language because they have no stronger arms with which to secure safety in a state of dangerous nature.⁹ This theory anticipates the psychological opinions which converge in the notion that speculation results from and indicates an imperfect satisfaction of desires which are more readily understood than the desire for speculation itself. Especially can religious and metaphysical thinking be represented as expressions of sublime egoism, since they offer spiritual security to men who cannot derive their

⁹ Friedrich Nietzsche, "Über Wahrheit und Lüge im aussermoralischen Sinne" (1878) in *Werke*, ed. by A. Baeumler, vol. 1, pp. 605 ff.; cf. also Chaim Perelman, "Le statut social des jugements de vérité" in *Revue de l'institut de sociologie*, no. 1 (1933).

feeling of security from solidarity and collective action with others.

The young Karl Marx, in whose critique of Hegel and the left wing Hegelians the contention that ideas are socially determined appears in a powerful modern form, introduced the phenomenon of "consciousness" in his theory of man after pointing out that it is not fundamental and that "production" is prior. Man seeks to satisfy economic needs, produces means of satisfaction, creates new needs and reproduces himself—and in these four activities he cooperates with other men. Only after we have recognized these four aspects of the original historical relations, Marx declares, do we find that man also has consciousness.¹⁰ "Contemplation" was subsequently presented as a socially necessary illusion of man living in capitalistic society; the so-called fetish-character of that society serves to account for the contemplative attitude of philosophers who, failing to appreciate the dynamic and dialectical nature of the social structure, have no material interest in changing it.¹¹

Contemplation has been dealt with by Karl Mannheim not as a product of comparatively recent social developments but as a residue of early human experience. He has suggested that "contemplation" is historically traceable to "the mystic vision of seers."¹² Today it is obsolete and rare. This argument bears a resemblance to the way in which Comte dealt with theology and metaphysics in his law of the three stages.¹³ It is not reconcilable, however, with the tradition of the term. In classical Greek and

¹⁰ Karl Marx, *Der historische Materialismus, Die Frühschriften*, ed. by S. Landshut and J. P. Mayer (Leipzig 1932) vol. 2, p. 20.

¹¹ Cf. especially Georg Lukacs, *Geschichte und Klassenbewusstsein* (Berlin 1923) pp. 94-163.

¹² Karl Mannheim, *Ideology and Utopia* (New York 1936) p. 265; cf. also his *Mensch und Gesellschaft im Zeitalter des Umbaus* (Leyden 1935) p. 170.

¹³ It should be noted that Comte's critical conception of theology and metaphysics as something old and for that reason useless rests on the same basis on which modern moral philosophy has attempted to devalue all virtues which do not fit in with the needs of modern society. The argument has become the rationalization of a value attitude which is one of the most characteristic traits of modern civilization.

Roman philosophy the terms *bios theoretikos* and *vita contemplativa* had not the meaning we often connect with contemplation: they did not indicate passivity.¹⁴ The "quietistic" meaning of the word is oriental in origin and was introduced into western philosophy by the skeptics. In any case, it is worth noting that popular interpretations of contemplation as something old and useless do not take cognizance of the idea which has to be refuted if contemplation is really to be devalued. This idea is that "practical" thinking is not that which is incident to the success of an action but that which is undertaken for the sake of and leads to truth.¹⁵

Another argument of Mannheim's against the value of contemplation is derived from the contention that cognition of the social-cultural world is only for those who want something from history. Only an active participation in the historical struggle of specific groups can yield understanding and hold any truth. Again, the apparent meaning of this contention is that to want the truth as such is not only a futile desire which cannot possibly be gratified but also a desire begotten by "illusion"—an illusion which itself is dependent on a particular social situation.

These illustrations, which could easily be multiplied, are sufficient to indicate the arguments used in the derogation of reason. Theoretical reasoning is said to be obsolete, illusionary and useless in so far as it is detached from kinds of action that are useful with reference to safety and power, economic gain, and social esteem. For the sake of brevity these may be called *distrustful actions*, because they are competitive in a situation of differential insecurity and thus can always be understood as efforts to prevent

¹⁴ The Greek term, however, seems to have had connotations that referred to the observers of the Panhellenic games; cf. Franz Boll, *Vita Contemplativa* in *Sitzungsberichte der Heidelberger Akademie der Wissenschaften, Philosophisch-Historische Klasse* (1920) vol. 8.

¹⁵ Cf. Aristotle, *Politics*, VII, 3, 1325 b. Even the positivist Comte was aware of this when he traced the crisis of modern society to the unjustifiable metaphysical predominance of material considerations "which are so abusively designated as practical"; cf. his *Sociologie*, ch. 1.

disadvantages that might accrue to the agents from the action of others.

According to those who attempt to devalue reason by identifying truth with success, only those ideas can ultimately be called true which are instrumental to the success of distrustful actions. In other words, reason assumes the nature of cunning, and philosophy is transformed into history,¹⁶ sociology and rhetoric. The result of this development has been characterized by Carl Becker, who has said: "Let Saint Thomas ask *us* to define anything—for example the natural law—let him ask *us* to tell him what it *is*. We cannot do it. But given time enough we can relate for him its history."¹⁷

The predominance which distrustful actions assume over ideas necessarily leads to a fallacious conception of actions which are social but not distrustful. In particular, religious observances, educational guidance and moral action will—like contemplation—be dealt with in such terms as power, esteem and economic satisfactions.

(Once the sphere of actions is reduced to the level of mutual distrust not only ideas but also actions themselves either become intelligible only as a step toward a security goal within a given historical situation of power, esteem and economic gains, or they remain "irrational" as a form of socially tolerated madness, as a sign of cultural "inertia" or the like.) Put in a different way, one alternative is to treat religion, art, education and morality as forms of social control and propaganda, glorification or legitimization of status, justification of material interests, indoctrination of

¹⁶ For a lucid discussion of this transformation cf. Leo Strauss, *The Political Philosophy of Hobbes* (Oxford 1937) ch. 6; Strauss concludes that "The reason for the turning of philosophy to history [which occurred according to his opinion in the sixteenth century] is thus the conviction of the impotence of reason, added to the enhanced interest in man" (p. 93). Cf. especially the reference to Bodin, who spoke of the "incredible usefulness" of history, and to Bacon's critique of Aristotle. In both cases the turning to history was accompanied by a decision against the *vita contemplativa* in favor of the *vita activa*.

¹⁷ *The Heavenly City of the Eighteenth Century Philosophers* (New Haven 1932) p. 19.

historically relative values, and in other instrumental respects.¹⁸ Exploration of the meaning of religion, art, education, moral norms is left then to the "dogmatic sciences"—theology, aesthetics, jurisprudence, logic, ethics—with the understanding that the findings of these endeavors will in turn be interpreted as "ideologies" determined by social forces originating in differential insecurity. The truth they contain is supposed to be a function of distrustful actions that have been successful. The other alternative is to conceive of religion and metaphysics as illusions—as far as nobody profits from them; to consider art as "escapism"—if it fails to take a stand in the social struggle; to treat moral precepts as "ideological"—if they have no demonstrable utility with reference to the interests of a group; and finally education, apart from being the transmission of skills and apart from increasing the efficiency of the social organization by indoctrinating the socially accepted valuations, would appear as waste and be considered to create only unhappiness.

¹⁸ Cf. Kierkegaard's remark that "what the modern philosopher understands by faith is essentially what one calls an opinion" (*Einübung im Christentum*, p. 181). A criticism of the anthropological approach to religion and a non-functional theory of cult, myth and magic are contained in Walther F. Otto's *Dionysos* (Frankfurt 1933). On the sociological interpretation of literature cf. Horatio E. Smith, "Relativism in Bonald's Literary Doctrine" in *Modern Philology*, vol. 22 (November 1924) pp. 193-210, and the references given there; also Max Raphael, "Zur Kunsttheorie des dialektischen Materialismus" in *Philosophische Hefte* (1932) pp. 125-52.

For the obliteration of the distinction between education and propaganda cf. Harold D. Lasswell's remark that: "Propaganda is the transmission of attitudes that are recognized as *controversial* within a given community. Education is a process of transmitting skill and *accepted* attitudes"—in H. D. Lasswell, R. D. Casey, B. L. Smith, *Propaganda and Promotional Activities* (Minneapolis 1935) p. 3; cf. also Leonard W. Doob, *Propaganda* (New York 1935) pp. 79 ff.

The literature on sociological relativism in ethics is endless. For illustrations cf. A. von Schelting, *Max Webers Wissenschaftslehre* (Tübingen 1934) pp. 143-45, which is a critical discussion of Mannheim's contention that the prohibition to take interest from loans derived from a social system in which consumption credit prevailed; Max Scheler, *Der Formalismus in der Ethik und die materiale Wertethik* (Halle, 2nd ed. 1921) pp. 320-29, which is a critical discussion of Wundt's contention that in certain periods and among certain peoples murder has been considered an honorable action; also Herbert Spiegelberg, *Antirelativismus* (Zürich and Leipzig 1935), and Georges Gurvitch, *Morale théorique et les sciences des mœurs* (Paris 1937).

(Thus the search for the social determination of ideas involves not only a derogation of ideas themselves, that is, an identification of needs that call for action with those which result in theoretical reasoning, but also a derogation of those social actions which are not distrustful.) If it is alleged that man's pertinent desire to know can be reduced to needs which are in fact incidental to the attainment of truth, one cannot expect a recognition of man's ability to act without regard to his comparative security.

What is the character of actions that are not distrustful? It may here suffice to say that such actions, instead of being related to differential gains of security, refer to non-egoistic accomplishment and to norms. In contrast to distrustful actions they necessarily imply an element of confidence. They are the *practical* manifestations of that property of human nature which enables man to search for truth.

In the theory that ideas are socially determined much stress is put on the historical character of social-cultural life. But this understanding is significantly limited. History is recognized only in so far as the changing "social basis" entails changes in the "superstructure," and the specific dependence of the superstructure upon the basis is considered to be an "essential" relationship which does not change. Actions pertaining to power, social esteem and economic gain are exempted from both moral and historical appreciation. They are considered to be natural, are judged by efficiency and can at best be subjected to standards of moral "conventions" which have a historically relative validity. It is here where the doctrine that ideas are socially determined reveals its unhistorical implications. One might say that the historical approach is based upon a natural law governing the structural relation of "ideal" and "real" factors. This dogmatism seriously interferes with an unbiased analysis of any complex of social actions because it presents as a law of dependence what might be merely a specific pattern among many possibilities.

Various attempts, however, have been made by sociologists to take cognizance of the historical character of the "pattern of de-

pendence." Even Marx intimated that the economic factor has not always been the "basis" of society. Lukacs has explicitly discussed the historical range of dialectical materialism.¹⁹ Max Scheler has suggested a historical law concerning the varying predominance of the different material factors, that is, the vital, political and economic factors in the course of history.²⁰ Sorokin's "dynamic sociology" is based on what he calls "the principle of varying efficiency of the same factor in different cultures and societies."²¹ And Karl Mannheim in some of his earlier writings has pointed out that "shifts of the center of life" have occurred in history. What he called the "positivistic feeling of existence" was once presented by him as a specifically modern phenomenon brought about by a "shift of the center of life from spiritual, religious realities to the social and economic."²² He asserted furthermore that "positivism" was "genuine," in other words, was the sincere expression of this shift of the center of life. Equally genuine was the positivistic "belief" in the empirical. He concluded that all this is still valid for us, "because it is genuine."²³ In his *Ideology and Utopia* Mannheim characterizes the modern methods of imputing ideas to the unconscious motivations of groups as "psychic annihilation,"²⁴ proposes that it was in the political discussions of modern democracies that the influence of unconscious collective motives was "for the first time" "discovered," and retreats from his previous historical position to one that is ahistorical. He holds that this recently discovered law of dependence has always existed. This is a simplification of the problem; it leads to an identification of a modern political method of "psychic annihilation" with a general sociological method to be applied not only to certain types of

¹⁹ Georg Lukacs, *op. cit.*, pp. 229-60; the references to Marx and Engels are on pp. 239 ff.

²⁰ Max Scheler, *Die Wissensformen und die Gesellschaft* (Leipzig 1926) pp. 34 ff.

²¹ Pitirim A. Sorokin, *Social and Cultural Dynamics*, vol. 3, (New York 1937) p. 374 note.

²² Karl Mannheim, "Das Problem einer Soziologie des Wissens" in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 53 (1925) p. 587.

²³ *Ibid.*, p. 599.

²⁴ *Ibid.*, p. 35.

political thinking in modern times but to many other types of thinking—such as ethics, metaphysics, epistemology—at all times.

All these scholars have recognized that the problem of history is not merely that of changing "material" and "ideal" data, but also that of structural changes in the interdependence of various domains of life. Their statements would suggest the inference that there is in history a pluralism of patterns of dependence which should at least prevent the investigator from imposing the pattern of dependence of one society—usually that of his own—upon totally different historical situations.

The term "pluralism of patterns of dependence," however, must be rid of its vagueness and ambiguity. This pluralism postulates a conception of social reality which makes it impossible to conceive of the relation between ideal and social forces in the way we have so far followed. The problem is not to find the answer to the question as to what is "basis," what is "superstructure," but how the question itself must be put. I shall briefly indicate the meaning and a few implications of these statements.

II

Society is a reality in which there is a convergence of material, vital and spiritual forces.²⁵ Therefore no sociological investigation of the relation between the social world and ideas in a given historical situation will ever find this relation correspond to the dualisms matter-mind, profane-sacred, material-ideal; these dualisms are implicit in social life itself.

In the terms used in the preceding discussion, any social structure can be analyzed as composed of typical actions which satisfy needs and also of tensions which represent unsatisfied needs. These needs by no means refer necessarily to gain and loss, power and submission, esteem and deference; they are also spiritual, such as the needs for justice, worship, order, compliance with moral norms. In other words, the basic actions are not naturally distrust-

²⁵ "... réalité à la fois matérielle, vitale, morale, spirituelle et même déjà religieuse," Maurice Blondel, *L'être et les êtres* (Paris 1935) p. 116.

ful actions) The importance of one class of actions, say distrustful actions, in relation to other classes differs in different structures and even in different momentary situations of the same structure, according to material goods available, traditions, conflict or friendly relations with other structures, and many other factors. History as history cannot therefore be the basis of a general theory of what is natural in social life, or rather, any typical action to be found in history is "natural," religious observances as well as economic exploitation, tabu as well as license.

Not only may social actions result from urgent spiritual needs; it may also happen that the same action satisfies needs of different character: the crusaders were "interested" both in fighting for the glory of God and in the acquisition of fiefs. (A preconceived notion of the "natural" origin of social action is likely to lead to misapprehensions, no matter whether the notion be "idealistic" or "materialistic.")

Again the needs or interests of individuals and groups are not natural in the sense that they can be inferred either from the nature of power, economic chance and prestige, or from the nature of justice, order and mutual help. Definitions of interests and the formation of interest groups depend on the ethos of the agents, and this is shaped by a denial or acceptance of the prevailing ethos of society.²⁶ The ethos is the basic emotional structure of value preferences and value repugnances of a person, a group or a culture—the spiritual, evaluative implication of a social structure; in it is founded the actual relationship between different needs, displayed by typical actions and tensions. Thus the ethos indicates the dis-

²⁶ The term "ethos" was introduced into modern sociology by Max Scheler. He derived it from a conception of man as *ens amans* instead of *ens cogitans* or *ens volens*, though this is not relevant in our context. The ethos is neither identical with Sumner's concept of the mores nor is it a rational, logically formulated system of ethics. For an extended discussion cf. Max Scheler, *op. cit.*, and his *Schriften aus dem Nachlass*, vol. 1 (Berlin 1933) pp. 225-62. In American sociology the concept that comes closest to the ethos is Talcott Parsons' concept of "value attitude." The voluntaristic presuppositions of Parsons' interpretation of social action and of value make it difficult, however, for him to define value attitude; cf. his paper on "The Place of Ultimate Values in Sociological Theory" in the *International Journal of Ethics*, vol. 45 (April 1935) particularly pp. 305 ff.

tance of actuality from the right life. It is the task of moral and political philosophy, not of historical research, to demonstrate in the light of reason the relative value of different needs in the right life.

The agents need not be fully aware of the ethos. Nor need their private value judgments be derived from it. In fact, man does not always act in order to obey moral precepts. But the ethos of a society is embodied in its institutions and in the principles of public blame and praise according to which esteem is distributed.²⁷ Thus the prevailing ethos of a society manifests itself primarily as institutional pressure—through which the given social reality assumes a quasi-objective character to the agents—and as social images—which are symbols of the most highly honored type of activity and conduct.

The ethos of a society, in which its material elements assume a social significance, differs with the contingencies of time and space. It is a cultural phenomenon. Therefore it may appear that a recourse to social-historical relativism is inevitable. As a matter of fact, the conception of social reality which underlies the foregoing theories of the social determination of ideas may seem less relativistic than the one here outlined. They revealed a dogmatic, unhistorical contention which resulted from a preoccupation with the differential insecurity of human nature. This notion is discarded in favor of a more comprehensive consideration of social action when it is held that social actions differ according to the social structure in which they occur. This, to be sure, is relativism, but it is a relativism without philosophical repercussions. It refers only to social life which, because of its dualistic character, is indeed contingent; it does not encroach upon reason and upon ~~reasonable~~ action.

Moreover, it should be noted that differences in external actions, or in their valuations in the ethos of the agents, may be only apparent. A closer analysis often reveals that the apparent differences

²⁷ Cf. Talcott Parsons, *op. cit.*, pp. 299-300, where institutions are treated as "normative rules" of social actions; cf. also my paper on "Honor and Social Structure" in *Social Research*, vol. 2 (February 1935) pp. 74-97.

result only from differences of situational contingency, and that different actions or valuations have identical functional meanings in relation to the structure in which they occur. A quotation from Adam Ferguson, whose moral philosophy contains an instructive discussion of sociological relativism, may illustrate this point: "We are at a loss . . . when we are told that what is punished as a crime in one country is rewarded or commended in another . . . This defect, however, may be easily supplied if we consider, first of all, that men have different opinions respecting external objects; further that many of the actions of men are considered more as *expressions* of what they mean or intend, than as operations materially beneficial or hurtful. In the first instance, men proceed upon different notions of what is beneficial or hurtful, on the other they express or interpret their intentions differently."²⁸ The common denominator through which much apparent "relativism" of actions disappears is the functional relationship between action and structure. It is here that the empirical research of the sociologist may make a real philosophical contribution, since philosophy is concerned with what is common in social actions in different societies, that is, with the meaning of social life rather than with its contingency.

At the same time it must be noted also that the meaning of data which appear similar may differ in different situations. Whether starvation of a part of the population entails revolution or strengthening fatalism in a society cannot be determined by analyzing starvation but only by understanding the meaning it has in the structure in which it occurs. Similarly, whether or not ideas are impotent to bring about a change of the prevailing ethos cannot be determined with reference to the nature of "mind" and its general relation to "matter." It depends on the structural value of ideas. A sermon may influence the conduct of one person and have no influence on another. There are societies in which religion has an important bearing on social action, others where it

²⁸ Adam Ferguson, *Principles of Moral and Political Science*, vol. 2 (Edinburgh 1792) pp. 140-41.

has not. Again, in so far as theories are popular which speak of the natural priority of distrustful actions they may not only voice a socially prevailing ethos but even strengthen it. Thus even the question of the relativism of social actions can be properly answered only when the functional problems have been investigated on an empirical basis.

Once the so-called pluralism of dependence patterns is redefined in terms of a different conception of social reality, the relation between ideas and social life presents itself in a different form.

Technical and promotive reasoning can obviously be analyzed sociologically. Sociology cannot decide whether or not the means which technical reasoning offers for satisfying a given need are efficient. But it may interpret the existence of the needs in terms of the social situation, and possibly the choice of particular means as well. For example, the sociologist cannot judge about the efficiency of modern military discipline when it was recovered in sixteenth century Netherlands from Roman literary sources. But he may interpret the need of the Dutch for such measures in their conflict with the Spaniards. He may also be able to show the bearing of various factors in the situation upon the adoption of the measures: such as the humanistic tradition of the scholar who translated the sources; the wealth of the country which enabled it to meet the prerequisite of military discipline, namely regularity of pay; the influence of the Protestant religion on the receptivity to discipline among the soldiers.

In promotive reasoning, which urges that one end be pursued in preference to another, sociology is faced with a phenomenon that in its most general terms may be called the quest for a public by a promoter. Research in this field has three main objectives. First it may concern itself with the social composition and the specific ethos of the public, that is, the quasi-objective conditions which allow the promoter to operate, which permit him special esteem, and the like.

Second, it is possible to explain in terms of those conditions the specific type of promoter whose emergence is structurally possible.

To illustrate, the sociologist will be concerned with such problems as: which social factors in the period of Greek enlightenment must be taken into account in order to understand the emergence of the sophists; whether the sophists' migratory existence can be understood with reference to their interest in evading taxation, and to what extent it can be accounted for by the composition of their public; which interests had a bearing upon the rise of the second sophistic movement in Hellenistic society.²⁹ Or in other contexts he will consider which factors throw light on the rhetorical influence of the humanists as envoys, lawyers and statesmen; what has been the influence of the journalist upon terror in modern times;³⁰ what accounts for the power of the demagogue in modern enlightened society in general; what is the characteristic social set-up for the charlatan to become a conspicuous social type.³¹

The third concern of research is the means of diffusing ideas. The existing state of technology and social organization has an obvious bearing on the methods of persuasion. In analyzing these factors the sociologist must guard himself against assuming that the mere existence of certain facilities, such as the printing press or the radio, the lending library or the coffee-house, is a sufficient explanation of the purpose for which they are used. Their use and abuse are determined by the ethos of society in general and of the promoter in particular.

One might add that he who persuades takes heed of the needs and interests of his public. As Plato said, the rhetorician has studied the opinions of the multitude. The public success of an idea depends on its capacity to confirm preexisting value attitudes, because it pleases man to hear that he was right. But it is also

²⁹ For a concrete sociological analysis cf. especially the introduction, "Sophistik, Rhetorik, Philosophie in ihrem Kampf um die Jugendbildung," to Hans von Arnim, *Leben und Werke des Dio von Prusa* (Berlin 1898); for minor corrections cf. Hans Schulte, *Orator, Untersuchungen zum Ciceronianischen Bildungsideal* (Frankfurt 1935).

³⁰ For an illustration cf. Kurt Baschwitz, "Schreckensherrschaften und ihre Presse" in *International Review for Social History*, vol. 1 (Leyden 1936) pp. 273-310.

³¹ Cf. Grete de Francesco, *Die Macht des Charlatans* (Basel 1937).

possible that success results from man's ability to understand that he was wrong or did not know, in which case, however, he is not persuaded but is guided to learn.

Different from the promoter is the one who thinks for the sake of finding truth, and correspondingly different are the tasks of sociology of knowledge, if knowledge is to designate something that is true. To begin with, it is characteristic of the philosopher and the scientist to doubt whether opinions are right, to ask whether existing values or interests are reasonable, to examine the ethos within which they are defined. The aim of theoretical reasoning is not success in public but simply truth.

(From the fact that ideas are constantly being functionalized for the satisfaction of needs it cannot be inferred that they are indeed functions of those needs.) It is impossible to impute them to a given social situation because the ethos of a society never coincides with the ethos of theoretical reasoning, that is, the social order is never wholly reasonable. So far as it is not, ideas must be "ideological," must transcend the contingencies of the social reality in which they occur, because the nature of the ideal reality does not contain the dualism which is to be found in the social.

It would be ridiculous to deny that the philosophers or the scientists are themselves entangled in these contingencies. Even as members of a leisure class they depend on the economic order which permits the existence of such a class. They are economically dependent on a patron or on collective patronage or on publishers, critics and the literary market, or on the state or on a church. They would not be human if they did not depend somehow, somewhere, on somebody. In the sociology of knowledge there is no room for Alfred Weber's construction of a "socially detached" intelligentsia. The sociological question to be answered concretely in every concrete case is not whether a thinker is dependent, but in which specific interests—ecclesiastic, political, economic or otherwise—he is entangled.

This inevitable dependence on private or public needs and interests does not mean that his ideas are "perspectivistic," that they

depend on those needs which are irrelevant to theoretical reasoning. The existence of needs may account for the selection of certain problems, and here is a fruitful field for sociological analysis. For example, the rise of modern science may be traced, and has often been traced, to specific interests and to a specific ethos which stressed the value of man's power over nature. But, to repeat, it is absurd to say that the truth of any scientific statement is socially determined. Nor can it be overlooked that a great number of philosophical problems are given by human existence as such, independent of any historical constellation of needs.

The fact that "perspectivism" of opinions results from the historical, social and personal diversity of needs and interests has been known to the philosophers, jurists and historians of all times. Modern sociology would merely reveal ignorance if it claimed to have discovered a commonplace. What it must do is to analyze this "perspectivism" systematically and empirically. It will have to make considerable efforts to equal the systematic stringency of analysis which distinguishes earlier writers in the field.³²

If this "perspectivism" were final and could not in some sense be overcome, one could not account for the fact that man, having recognized it, still tried to find the truth. The history of philosophy would be a chain of follies. Conversely, everyday experience teaches us that an opinion which we have and possibly share with others (group opinion) is not true simply because we happen to have it. Thus, through the ages, a prominent method of revealing the contingent character of mere opinion has been to consider it in the light of another. Even from the standpoint of sociological relativism it must be admitted that the thinking individual is able to take cognizance of opinions satisfactory to interests that are not his own. Nor can one deny that it is possible to take account of what has been thought in previous ages. The promoter, to be sure, is absorbed in the historical situation of needs in his time. Philosophers have access to the thinking of all times. Thus their "environment" extends beyond the contingencies of the interests

³² Cf. the note at the end of this paper.

which they happen to experience. Moreover, any critical consideration of different opinions presupposes that the critic has access not only to opinions but to the subject matter itself to which they refer.

The scientific task of a sociology of knowledge in the field of moral and political science is not to show how needs and interests influence thinking. This is a question of the deficiencies of reason as far as they are traceable to social needs, and it may, at times, be politically both urgent and beneficial. The philosophical task of a sociology of knowledge, however, is to show to what extent philosophers have left immediate partisan interests behind them,³³ and how by doing this they may have incidentally exerted a profounder influence upon the ethos of man than those who by being merely today's thinkers are already of the eternal yesterday.

Whereas an analysis of how the promoter's public is composed sheds light on the possibilities of the promoter's success or failure, the sociological analysis of the social-cultural situation of the philosopher reveals only how far his freedom to search for truth is facilitated or stifled, and the direction or the source of certain of his intellectual interests. "Superstition," said Lichtenberg, "is local philosophy." The aphorism implies that philosophy is never local. The public of the philosopher is composed of his contemporaries only to the extent that they, too, are in the timeless ranks of those who seek the truth.

Note on the Predecessors of the Sociology of Knowledge

Especially important is Nicholas Malebranche's investigation of the relation between reasoning and "needs" in his *De la recherche de la vérité*, published in 1675. Malebranche recognized that "the difference observable in Men, as to their Ways and Purposes in Life, are almost infinite. Their different conditions, different Employments, dif-

³³ It is significant of the ethos of the modern sociology of knowledge that this question is systematically precluded from consideration.

ferent Posts and Offices and different Communities are innumerable. These Differences are the Reason of Man's acting upon quite different Designs; and Reasoning upon different Principles. Even in the same Community, wherein there should be but one Character of Mind, and all the same Designs; you shall rarely meet with several Persons, whose Aims and Views are not different. Their various Employments and their many adhesions necessarily diversify the Method and Manner they would take to accomplish those very things wherein they agree" (Eng. translation by T. Taylor, Oxford 1694, p. 75).

That Bacon was aware of the problems of a sociology of knowledge can be seen from the following quotations. He complained that knowledge of the "divisions of man's nature" as they are contained in the traditions of astrology, the Italian *relationes* and in "every day's conference" "wandereth in words but is not fixed in inquiry." "No man bringeth them to the confectionary, that receipts might be made of them for the use of life." "Of much like kind are those impressions of nature, which are imposed upon the mind by the sex, by the age, by the region, by health and sickness, by beauty and deformity and the like, which are inherent and not extern; and again, those which are caused by extern fortune; as sovereignty, nobility, obscure birth, riches, want, magistracy, privateness, prosperity, adversity, constant fortune, variable fortune, rising per saltum, per gradus, and the like" (*The Advancement of Learning*, Everyman's Library edition, pp. 169 ff.). The significance of Bacon for the development of the modern sociology of knowledge deserves a special study. In the meantime cf. Edwin Greenlaw, *The Province of Literary History* (Baltimore 1931).

Of later writers Johann Martin Chladenius (1710-1759) is most prominent; cf. especially his *Einleitung zur richtigen Auslegung vernünftiger Reden und Schriften* (Leipzig 1742), and his *Allgemeine Geschichtswissenschaft* (Leipzig 1752). He pointed out that the recognition of a historical event requires a "spectator" or "originator" and that there are as many different kinds of spectators as there are social relations. The viewpoint (*Sehepunkt*) of the spectator is determined by evaluations, by psychological and cultural factors, by his social position and by his participation in the event. Differences in viewpoint lead to different judgments concerning the same event. Chladenius also developed a fruitful classification of the origins of these differences and of deviations from truth by enlargement, reduction, mutilation, distortion, illustration, termination, discontinuation, expansion, omission, abridgment, etc. A series of persons of whom one is the originator and the others merely "repetitors" (*Nachsager*) he called

a "channel." He realized the importance of the channel for studying the diffusion of ideas and the change of the meaning of words. Ideas may "run," "stop," "propagate themselves," be "stimulated" or "renewed" in a channel. As an introduction to Chladenius cf.: Joachim Wach, *Das Verstehen*, vol. 3 (Tübingen 1933) pp. 23-32 (Wach calls Chladenius' analyses exceedingly modern); Hans Stoltenberg, *Geschichte der deutschen Gruppwissenschaft* (Leipzig 1937) pp. 163-68; and Hans Müller, *Johann Martin Chladenius* (Berlin 1917).

Mention should be made also of Johann Christoph Gatterer, who in the *Allgemeine Historische Bibliothek*, vol. 5 (1768) pp. 3-29, published an essay on the "position and viewpoint of the historian," in which he pointed out the social-cultural dependence of historical knowledge. The essay contains an instructive illustration: a few pages from Livy are confronted with a few pages from Gatterer himself on the same subject matter, in order to demonstrate concretely how different positions and viewpoints entail different presentations.

For further material on the "forerunners" of the sociology of knowledge cf. the introduction by F. B. Kaye to Mandeville's *Fable of the Bees* (Oxford 1924), and the historical part of Balduin Schwarz, *Der Irrtum in der Philosophie* (Münster 1934).

HIGHER LEARNING AND HUMANISM

BY ALBERT SALOMON

One is in all events safe in affirming that the battle that is to determine the fate of American civilization will be fought out first of all in the field of education.—IRVING BABBITT.

IT is the pride of true democracy that criticism of its content and its institutions is the very affirmation of its existence. Adjustment and preservation, progress and tradition are organically bound together in the critical efforts to materialize the true meaning of democracy, whether they attempt to adapt institutions to the new content of life or to impose the scheme of democratic values on the dynamic forces in society.

The analysis and criticism of the institutions of higher learning which has been going on for more than thirty years has a close bearing on the conditions of American democracy. For higher learning has a definite social function in modern democratic societies. It provides training for a democratic elite, for a selected body of intellectual leadership. The best symbol of this democratic function of higher learning is the French *École Normale Supérieure* through which, during the entire Third Republic, a political, academic and literary elite was selected and trained. In the fascist countries the universities have been degraded to technical institutes of specialized knowledge and have to leave this integrating task to the party schools; and these select and train the future elite only in those virtues which make up the pseudo-religious values of the respective parties. Democracies, however, can endure only if they are founded on reason and the spiritual virtues, for without them freedom and equality, unity in multivariety, lose their normative and binding power.

An awareness of this social and democratic function of the in-

stitutions of higher learning is very evident in the American discussions of educational procedures. Whatever may be their different points of view, their emphases and specific proposals, they are all animated by the conviction that for the development of democracy itself American universities must instil and uphold standards of intellectual excellence and social responsibility. Underlying the critical discussion is the conviction that the virtues which guarantee the growth and the dignity of democracy—intellectual discipline, self-control and persistent objectivity—are virtues of the mind and spirit and thus completely opposed to the irrational and emotional naturalism of the totalitarian states. Hence we cannot separate social and academic reformers in the frame of democracy. In the work of Robert Hutchins these trends have been combined and have been given the highest moral and intellectual vitality.

I

"It is the true mark of intellectual strength to suggest and stimulate intellectual efforts again and again." This remark of Goethe's may serve as a justification for attempting a new interpretation of Hutchins' writings on higher learning in America, when already almost a library has grown up concerning his ideas.¹ Nearly all of these discussions and critical reviews deal, however, with the pedagogical and technological implications of the revised

¹ Among the contributions to this discussion the most suggestive and important have been published in the *International Journal of Ethics*, vol. 47 (April 1937), especially Charles E. Clark, "The Higher Learning in a Democracy"; Richard McKeon, "Education and the Disciplines"; Benjamin F. Wright, Jr., "History as a Central Study"; and Charner Perry, "Education, Ideas or Knowledge?" Also T. V. Smith, "The Chicago School," *ibid.*, vol. 46 (April 1936); John Dewey, "Re-making Higher Education" in *Social Frontier* (January 1937), and "Was President Hutchins Serious?" *ibid.* (March 1937); Harry D. Gideonse, *The Higher Learning in a Democracy* (New York 1937).

The works of Hutchins which underlie the present interpretation are: *No Friendly Voice* (Chicago 1936); *The Higher Learning in America* (New Haven 1936); "Grammar, Rhetoric and Mr. Dewey" in *Social Frontier* (February 1937); "What is the Job of our Colleges?" in *New York Times Magazine* (March 7, 1937); "A Reply to Professor Whitehead" in *Atlantic Monthly*, vol. 158 (November 1936).

curriculum or with the philosophical problems involved. Though the soundness of his criticism of American universities is acknowledged, it has not been stressed that what Hutchins is concerned about is not the future of institutions but the future image of the American man. He would inaugurate a new type of responsible, disciplined and conscious intellectuals to form the nucleus of a new society.

A further reason for attempting a new interpretation is that Hutchins' efforts to raise the mind to the intellectual and spiritual standards which are the presupposition for the functioning of a true liberal democracy have sometimes been interpreted as fascist. This whole literature indicates that the problem of reading and interpreting—which Hutchins stresses as a basic task of general education—is not an academic problem alone.² It has become a problem of the widest implications, for the openmindedness which is indispensable for understanding ideas unfamiliar to our own seems to disappear under the pressure of political and social prejudices. For this reason I wish to emphasize from the beginning that however problematic may be the practical realization of Hutchins' ideas he has contributed to the development of a social democracy and deserves the highest praise for his service. He should be considered neither as a technician of education nor as a philosopher, but as a moralist. His efforts are directed toward a "spiritual revolution," which is at once progressive and conservative. It is conservative because it preserves the values and ideas basic to western civilization, and it is progressive because this conservatism is an instrument for the social transformation of the contemporary scene.

Each society has educational institutions which correspond to its particular standards. Hence in order to know what is wrong in the American institutions of higher learning Hutchins first analyzes American society. This society is characterized as confused in three basic respects: first, its overemphasis on economic success and advantage, its enthusiasm for practical and utilitarian

² Cf. McKeon, *op. cit.*, pp. 370 ff.

ends (reflected in the opportunistic policy of American universities, oriented toward quantitative and economic success); second, its confusion between equality and identity of opportunity, resulting from the equalitarian tendencies in the Jacksonian revolt (and bringing about lower standards of academic life); finally, its pseudo-theological belief in the blessings of a progress based upon scientific thought, which has led to an enthronement of the technological and instrumental achievements of reason at the expense of a consciousness of values. This society is in danger of becoming the slave of its own institutions, which take on a demonic power of their own when man confuses the means-end relationships in controlling and ordering life. And the underlying question, which Hutchins has never formulated explicitly, is how it will be possible for this American society, so active, progressive and industrious, to stand the disappointments, crises and disintegrations of modern life without those intellectual virtues which are the organizing principle of both individual and social life and the salvation of mankind in situations of darkness and despair.

This criticism of the American mind as it is represented by the general standards of society could be achieved only on the basis of an intellectual attitude which has been emancipated from these patterns of modern life and has rediscovered in itself measuring rods which would make such an analysis possible. What is it that Hutchins has discovered?

Throughout his writings he maintains that man is basically rational, that man is *homo sapiens*, not *homo faber*. Reason is not a technical instrument for adjusting man to the conditions of environment and for producing material prosperity, but is *logos*, a fundamental element of the transnatural being of man, which enables him to become conscious of the reality of ideas, values and ends. Through reason he participates in a universal order and a spiritual realm which transcends natural and empirical reality. The life and working of the soul is, indeed, more vital and powerful than that of reason, but the soul can function only

through reason. In this embracing sense reason is the integrating principle of human existence. In its materialization man reaches *eudaimonia*—"happiness."

This happiness has its center in an intellectual vision which transcends the practical levels of human existence. "Such life is better than the average human behavior. The happy man will live in this way not in so far as he is human, but in so far as he has something divine in his essence." This dictum of Aristotle's is not a justification for the isolated intellectual in an ivory tower. On the contrary, this intellectual happiness means a realization of responsibilities and obligations to society and a devotion to the moral virtues. For these belong to the complex realization of true happiness, and to the lived and experienced perfection of reason. Within this happiness there are two fundamental trends, the one leading to social and moral ends in the realization of the moral virtues, the other going in the opposite direction to the transcendental good in realizing the intellectual virtues. Both together make up the dynamics and actuality of reason, and contribute to man's realization of the unity between the theoretical and the practical. Because this happiness includes both these elements it is the highest good which can be attained in man's self-realization. Thus Hutchins' ideal of the rational man is not individualistic but social.

Mankind achieves objective communication and mutual understanding through a consciousness of the fundamental interdependence of particular individualities. This achievement presupposes a social fact and an intellectual attitude. The social fact is leisure, the intellectual attitude is cultivation of the mind, a striving for intellectual excellence. Charles A. Beard has significantly emphasized the importance of leisure as one basic end in the campaign for improvement of the social and economic conditions of the working classes—farmers as well as labor. It is an element of the American Dream that leisure should belong to the whole nation, not to a privileged group. Leisure, however, is only the social possibility for the development of human action;

of itself it has no content. Hutchins restores the Greek sense of the word, which means school, learning, intellectual excellence. Freedom from occupation becomes leisure through intellectual efforts to enlighten life and to illuminate its dynamic forces.

If we are compelled to reorganize social and economic life and to introduce leisure as an economic measure for many groups which cannot be brought to the labor market, we have to know what the content of this social time-element should be. It is Hutchins' contention that we have to train these groups for intellectual excellence. Hence his idea of a new organization of general education—which in combining the junior and senior years of high school and the freshman and sophomore years of college will strive to raise the level of education and to free the university for its academic tasks—is determined by his sense of social responsibility as well as by his intellectual conscience.

II

The foundations of this new curriculum for general education are tradition and the *trivium*—rhetoric, grammar, logic—enlarged by mathematics as the most important branch of the *quadrivium*. Tradition means the study of the classics in the fields of science, philosophy and literature. Those books are classic which have expressed most perfectly the intellectual trends of their epoch and have promoted and influenced tradition and the discussion of fundamental issues in the development of ideas. The classics represent the history of European thought; they are our common intellectual heritage which, through discussion and creative transformation, has shaped our thinking. The introduction of the *trivium* is intended to develop the intellectual virtues: to bring about a coincidence of expression and thought in speaking and writing—the task of rhetoric; to develop awareness of the potentialities of linguistic formulations in order to promote accurate understanding and interpretation—grammar; and to lead to a knowledge of dialectical dynamics, its vitality and limitations, in the working of language and thought—logic. As an additional

intellectual discipline mathematics should develop consciousness and intellectual imagination. In other words, the pillars of this new general education are tradition and language: tradition revealing the identity of human existence throughout the cycles of change, and the transcendence of mind and spirit in the confusion of the social process; language representing the noblest expression of man as he participates in the life of reason and spirit.

If we agree with Hutchins upon the value of this curriculum the problem arises as to how it can be accomplished most efficiently. Hutchins assumes that the classics need not be read in the original texts and that a brief introduction to the languages is sufficient to make students aware of the structural elements in the respective patterns of thinking. In St. John's College the student has the opportunity of learning four languages in four years, in each year eighteen hours for becoming acquainted with the elements of one language, Greek, Latin, French or German. I am afraid that this realization of Hutchins' plan is not in conformity with his basic idea. His emphasis on language as a presupposition for intellectual discipline is, indeed, one of the most valuable ideas for reform in a situation wherein all languages are standardized by the patterns of modern life.

Intellectual decay is expressed first in language, for *logos* is both thinking and speaking. Hence intellectual, that is moral, reform must start with language. This is the significance of philology, which is neither escapism nor aestheticism but is an urgent moral and social concern for *logos*, the actual working of the mind. Philology, literally a "love of *logos*," means a continuous effort to search for the coincidence of truth and expression, of life and thought. Erasmus devoted his work to this search in theology and philosophy. And Lorenzo Valla developed the idea—which became so important in the philosophy of language—that language realizes a basic relationship between the absolute claims of objective knowledge and the actual value of personality.

This profound interrelationship between life and thought which is realized in language—both spoken and written—has

been acknowledged implicitly by Hutchins in his projected curriculum. And because of this interrelationship it seems to me that rhetoric and logic cannot be adequately taught except by means of Latin and Greek, for it is in these languages that they receive their highest expression. Windelband frequently opened his course on logic with the words: "Who has been taught Greek knows what logic is and has learned it in a very easy and suggestive way." It is indeed true that no modern language is as effective as Greek in revealing the basic and refined elements of logic. And it seems to me that without Latin it would be difficult to teach rhetoric, to develop the theory of expression and its capacity to coordinate theoretical and practical life. Training in Latin, promoting a consciousness of the weight of each formulation, has powerfully influenced the discipline, lucidity and equilibrium of the modern vernacular languages. The styles of Dr. Johnson and of Hume are models of a language which has experienced the intellectual discipline of Latin. If Hutchins retains his basic idea of the *trivium* as the best instrument for the teaching of the intellectual virtues, he cannot logically neglect the teaching of Latin and Greek as the subjects which will enable students to develop that consciousness and understanding of language which is essential to his intellectual and moral reform.

This proposal is developed as the logical outcome of Hutchins' basic position but it is not contended that it is the only program that is desirable. I should say, with Hutchins, that if we agree upon the goals the instruments and the curriculum which are to realize these goals are of but relative importance. Responsible American educators are making various different efforts to discover the principles by which man can be made aware of his place and tasks in the universe and his responsibilities in the social world. The papers which were presented at the Southwestern Conference on Higher Education in November 1935³ show very clearly that the basic ideas of Hutchins are developing through-

³ Published under the title *Higher Education and Society, A Symposium* (Norman, Okla., 1936).

out the country from the most different approaches. The common denominator of this variety seems to be a return to certain Jeffersonian postulates: emphasis on the intellectual virtues and on basic problems, and opposition to practical and vocational training in the universities. Most of these papers imply that the problem of a democratic elite is the task and responsibility of the academic institutions. If this trend toward a renaissance of philosophical and spiritual values is indeed the general attitude among educators, there may be discussions about the curriculum but at least the disputants will be motivated and guided by common presuppositions.

As to the place of tradition in this curriculum Hutchins, in contrast to the usual devotion to the present and the future as the realization of progress, stresses the point that we should become aware of the continuity of thought, the recurrence of basic problems, the permanence of intellectual tradition in the creative process of transformation. Only this awareness can give us modesty, and also pride in reason's realization of its task of helping to preserve and further the achievements of the human mind. A study of the classics in philosophy, science and literature should promote this seriousness and enable students to understand the content of these great books, to interpret their ideas, to become conscious of their particular terminology and to know how the traditional patterns of thought have been transformed under the pressure of new experiences in life and science.

The problem arises as to how this sense of tradition is to be taught. Emphasis is put on the intellectual structure of the classics, if I understand Hutchins correctly, and on the general types of recurrent systematic problems, thus neglecting the development of these problems in a historical process. Tradition has significance only as an element of "historicity"; I would define historicity as the dynamic character of each particular moment, and that moment's particular constellation of those elements which make up the complexity of existence. Because of the finiteness of human life man's self-realization is determined by the par-

ticular conditions of his life and environment. He is constantly compelled to reformulate the eternal problems in new versions, because the unending flux reveals new aspects, new horizons and new emphases in each particular moment. Man is not only a rational but also a historical being; both are ontological categories. Thus it is in the process of history itself that tradition is realized. The development and continuity of ideas, their change and transformation, are understandable only with regard to the changing situations that man encounters, his new experiences and world outlooks.

For this reason it seems to me desirable to substitute the concept of tradition by the term history. And it would seem advisable and logical that these problems should emerge in a combination of lecture and seminar on the history of philosophy, science and literature. I should like to add incidentally that this stress on history does not mean relativism—an attitude which Hutchins too would condemn. It is only an emphasis on the actual dynamic process of man's self-realization, and in this process, as well as in the particular historically limited situations, mind and spirit, because of their very nature, transcend the relativity of the moment.

The training of responsible democratic citizens should include not only the history of ideas and thought but also political, social and economic history. This cannot be fully accomplished in the lower grades of the high schools, but must be a part of the new curriculum, a realistic complement to the history of ideas and their working. These aspects of history too provide training in the intellectual disciplines, for in order to know how social and political ideas have become institutions it is necessary to analyze how they function. The task of a true teaching of history is to sharpen consciousness and responsibility so that we may know what we have to pay for the realization of our ideals, that is, what has to be destroyed in the achievement of new standards and values. I should like to add that we cannot deal with the history of ideas without also taking into account how profoundly

philosophical ideas are tinged by the religious and spiritual values of their respective historical situations.⁴

In short, I should say that the basic elements in Hutchins' scheme of general education are language and history. An understanding of language, of spoken and written expression, should lead to self-consciousness and responsibility and to a knowledge of the conditions of intellectual realization. An understanding of history should lead to an awareness of the dynamic process in which this realization takes place. The seminars in which the classics are read should combine the historical and the systematic approach. I should propose, in addition, that instruction in history be understood to include the means-end relationships in social and political life. Finally, I should suggest that a study of comparative religion or history of religions would complete a curriculum which aims at the development of the fundamental patterns of conduct underlying the complexity and diversity of human life.

III

Students thus prepared by general education to be aware of the mind and its process of realization may enter the university and devote their efforts to the disinterested pursuit of truth. This is not a luxury in a democratic and industrial society. The standard of the nation, if it is to be more than the accumulation of specialized knowledge of different techniques, will be determined by the standard of the intellectual elite. This is an essential reason for Hutchins' attempt to reorganize the university and to restore the dignity of higher learning.

The positivistic trend during the last hundred years has brought about not only a thorough specialization and atomization of the

⁴In 1925, at the instigation of Norman Foerster, if I am not mistaken, a school of religion was founded within the college of liberal arts and the graduate school of the University of Iowa. "It provides a means of viewing religion intellectually as a subject of higher learning, under the instruction of professors representing, respectively, the three religious groups of the state" (Norman Foerster, *The American State University*, Chapel Hill 1937, p. 265).

various sciences, but also the loss of any principle which might unify these efforts in a university in the true sense of the word. Hutchins would rediscover some principle which could integrate the variety of particular knowledges. It must bring about a common basis for all scientific efforts, and it must determine the function and the relative significance of particular tasks in reference to the whole of research and thinking. He calls this principle metaphysics or philosophy, though he is aware of the equivocal character of these terms. They are meant to signify an investigation of the fundamental principles and causes which are evolved in the natural and social sciences, and the ontological problems which transcend the epistemological concerns of the various sciences. Perhaps his formulation had raised less criticism if he had called his end "ontology." It is true, of course, that in the last generation philosophy was concerned mainly with epistemological problems, while within the realm of science, especially in the natural sciences including biology and psychology, there were various trends that led through empirical investigation to philosophical problems. Physicists, psychologists and biologists push through their research to fundamental ontological problems. But this philosophical contribution of the sciences reveals the vigor of philosophy even in a situation which is characterized by what might be termed asceticism in philosophy or at least in metaphysics. Thus Hutchins' idea of making ontology the basic principle of a reorganized university is not a jump in a vacuum or a desperate search for certainty at any price; it makes articulate a process which has been going on for almost thirty years and which has developed especially in the efforts of "existential" philosophy. In his acceptance of this development Hutchins emphasizes metaphysics' function as not only the science of first principles but also the integrating element in which all scientific trends converge.

An early example of the introduction of metaphysics into academic institutions may serve to illuminate this general statement. In the Protestant universities of Germany and the Netherlands

—Lutheran and Calvinist—a thoroughly organized teaching of metaphysics developed during the seventeenth century. Metaphysics was considered the fundamental philosophy (*Realwissenschaft*) as opposed to the instrumental philosophy of logic (dialectics). What was the reason for this change in the Protestant policy of education? In the sixteenth century Melancthon, the humanist, had been compelled to work out the revolutionary spirit of Luther, his distrust of reason, his hatred of Aristotle and scholasticism. Plato and Aristotle had been exiled from the Protestant universities, and the philosophical training of the students had been restricted to instruction in logic and to the reading of compilations and second-hand literature. Hence at the end of the sixteenth century there was among Protestant professors a general complaint of the philosophical ignorance of the students. All agreed that the new philosophical barbarism was no less disastrous than had been the linguistic barbarism of a degenerate scholasticism.

Moreover there was a basic need for philosophical training because the theological discussions among and within the different denominations—which assumed the truth of revelation—imposed upon thinkers the necessity of considering ontological problems, such as the problem of infiniteness and finiteness. These problems had engaged the scholastic philosophers of the thirteenth and fourteenth centuries. The development of humanism also contributed toward the reintroduction of metaphysics in the Protestant universities, especially through the efforts of the humanists to grasp the things themselves, not the concepts of things. The function of metaphysics was to search for knowledge by means of the natural light of reason; it was believed that reason itself would apprehend reality as creation. Thus there was no essential antagonism between metaphysics and theology, for reason was understood as complementary, not contradictory, to revelation. It is significant that the most widely used compendium of metaphysics in the Protestant universities was the *Disputationes* by the Jesuit Suárez, which included a natural theology (De

primo ente seu Deo, *Disp.* 30) dealing with the basic distinction between *ens creatum* and *ens increatum*.

This example illustrates how the inquiring spirit of man depends on the guidance of metaphysics. If this spirit is humanistic it will overcome resentment against scholastic philosophy and will distinguish between the eternal problems and transitory, historical formulations. A neglect of metaphysics in academic institutions cannot but have disastrous consequences not only on the continuity of philosophical tradition but even on the epistemological problems within the sciences. Man, as Gilson has said, is a metaphysical animal.⁵

From this emphasis on ontology as the unifying principle of the university, Hutchins develops the specific lines of training, all of them representing aspects of philosophy: the philosophy of nature, the philosophical science of man and the philosophy of art. In conjunction with this fundamental philosophical training the natural and social sciences are also necessary. These sciences reveal the actual working of philosophical principles in nature and in the actions of man. They are at once analytic and systematic.

Especially the social sciences present the functioning of ethical principles in various situations, their conflict with means which have become ends in themselves and which have brought about a pseudo-autonomy of the different spheres of life in contrast to a true philosophical order of ends in human action. The recurrence and the transformation of the basic principles of freedom and obedience, authority and spontaneity, personality and community, cooperation and control, are the subject matter of these sciences; in them the general patterns of conduct, their content and various functions, are subjected to empirical analysis. Hutchins places much emphasis on theoretical aspects of the social sciences—of economics, political theory and ethics—but I believe it would be in conformance with his basic humanistic approach to stress the interrelationship of the theoretical and the

⁵ Étienne Gilson, *The Unity of Philosophical Experience* (New York 1937) p. 307.

practical in the process of mankind's achieving its potentialities. A thorough knowledge of the social world can be attained only by a careful analysis of the functioning of institutions in actual historical situations.

For this reason it seems to me dangerous to isolate and separate from the university the professional schools and the institutes of research. This radical proposal of Hutchins' conforms neither with his theory nor with his practice in Chicago. His transformation of the Chicago law school is a valuable example of the emancipation of a professional school from the technical and casuistic patterns. He has introduced various non-legal courses: first year, psychology, English constitutional history; second year, economic theory, accounting, political theory; third year, ethics. Besides these basic courses there is an attempt to deal more articulately with the problems of the essence and ends of law, with the elements of a philosophy of law. The new first year course on legal methods and materials is an introduction in these problems. It is an attempt to determine the sociological place and function of law, and also to construct a systematic framework which will enable students to deal with ideas and values and develop criteria for organizing and evaluating the infinite variety of cases and legal materials. This plan is in conformance with the idea of reintegrating the university for it leads the students to self-consciousness and to a philosophical understanding of their profession. If this reform is possible it will be more in line with Hutchins' principles than the problematic isolation of the philosophical college from the professional and research institutes.

Hutchins is justified in his criticism of law schools which teach the practice and techniques of the courts of Connecticut and Massachusetts without dealing with the philosophical ends and implications of their profession. On the other hand, Whitehead in his criticism of Hutchins⁶ is no less justified. He contends that it is the function of the professional schools to make available

⁶ Alfred N. Whitehead, "Harvard: The Future" in *Atlantic Monthly*, vol. 158 (September 1936) pp. 267 ff.

to the investigating mind the wealth and diversity of actual reality and to promote creative imagination through the suggestive interaction of mind and experience. The removal of the university from the changing process of reality is a danger for the vitality of the mind. During the Middle Ages the university proper consisted of professional schools. The problem now is whether the modern world has professions like those of the Middle Ages. Hutchins replies to Whitehead that in the Middle Ages not every vocation was a profession. "A profession was a body of men trained in a subject matter which had intellectual content in its own right. The aim of the group was the common good. These two requirements must have had something to do with limiting the professional disciplines to three: medicine, theology, and law."⁷ Hutchins himself doubts how far these activities are professions in the modern world, not to speak of those technological occupations which are today called professions. In touching this problem Hutchins calls to mind that great social reformer, Walther Rathenau, who wished to construct a community in which each profession would have its function in respect to the common good.

A reorganization of professional schools along the lines of Hutchins' reform of the Chicago law school would certainly be a desirable development. It would be at once a spiritual and a social reform if the teaching of occupational techniques could be taken out of the professional schools, thus leaving the latter to serve their particular intellectual functions. Undoubtedly education, art and government are professions in the modern world. Whether and in how far business is a profession may be a subject of discussion. In any case, the business school can make an important contribution to the social sciences in demonstrating how the techniques of economic life develop and how they influence the ends they are intended to realize. In this sense I believe that the business school can be transformed into a professional school.

⁷"A Reply to Professor Whitehead" in *Atlantic Monthly*, vol. 158 (November 1936) p. 586.

Parsons is more positive concerning the possible reorganization of the business school: "It is of course true that many, perhaps most of the traditions of business are not in harmony with professional ideals. And with the advent of business schools in the universities, the tendency has perhaps been more to regard them as schools of the art of making money than as professional schools in a strict sense. But at the same time it is generally acknowledged that business occupies a key position in contemporary society. The business men are the natural leaders of the community. It may be suggested that if the great cultural tradition is to be perpetuated and developed it is almost necessary that it should come to impregnate the business community. . . . If a business education could be made a true professional education . . . it would be a very large step in the integration of our civilization in the sense in which President Hutchins desires it."⁸ In any case, the reintegration of the university cannot be performed without freeing the professional schools from the necessity of teaching formal techniques.

These basic problems of education, the problems of the relationship between content and technique, are not merely academic and technological issues; they concern the image of man and society. In dealing with them Hutchins touches a fundamental problem of human existence. How can we stand the crises and disappointments of life if we do not know anything about the actuality of the mind and the order of ends and values? We become lost in the world of institutions which are our own work but which have taken on a reality of their own. In order to conquer the anarchy of modern intellectual life we have to understand that man is by nature political, rational and metaphysical, and we have to be able to appreciate anew the standards and values which determine the function of instrumental actions in reference to their ends. Whatever may be problematic in the realization of Hutchins' basic ideas, his effort itself is a contri-

⁸ Talcott Parsons, "Remarks on Education and the Professions" in *International Journal of Ethics*, vol. 47 (April 1937) p. 369.

bution to democratic ideals and to the particular character of American civilization. He has combined the positive elements of the liberal Jeffersonian policy of education and has adjusted them to the contemporary scene.

IV

I have spoken of the general trend of Hutchins' thinking as "humanism." This term, however, is frequently used in so vague a sense that it may be well to be more specific. Humanism, in historical terms, was that movement among Italian intellectuals which brought about the renascence of ancient literature and philosophy. It spread over Europe during the fifteenth and sixteenth centuries and was materialized in the new lay society by a new type of scholar, the intellectual beyond the pale of clerical institutions. Its aims were directed toward four definite ends. First, the humanists emphasized a deeper and more conscious appreciation of language, attacking and criticizing the formalized and distorted Latin of the academic institutions. Second, they stressed the importance of reading the original sources, either ancient or Christian, which alone make possible a true interpretation and understanding. Third, they postulated a philosophy which strives for a knowledge of objective reality instead of discussing concepts about reality. Fourth, they attempted to combine tradition and a creative criticism of the authorities of the past. These various approaches—*ad verbum*, *ad fontes*, *ad res*, *ad interpretationem* (a return to the word, to the sources, to the things themselves, to liberal interpretation)—reveal the philosophical implications of humanism. In all fields of learning—in theology, philosophy, history and philology—it was attempted to understand the actual working of mind and spirit; actual existence was to be the unifying principle of the intellectual and spiritual patterns of life.

No one has formulated this basic philosophical end of humanism more aptly than Whitehead. Having analyzed the three fields of learning which contribute to man's self-realization—

science, which searches for order realized in nature; the humanities, which search for values realized in human nature; religion, which searches for values basic to all things—he concludes: “They can be studied apart. But they must be lived together in the one life of the individual.”⁹ The basic trend in humanistic efforts was to know and understand the unity of life in the diversity of its intellectual and spiritual achievements. This general trend of humanistic thinking is connected with the ancient idea of the dignity of man as participating in *logos*, and thus having, by means of reason, a definite function in the universe. But there are various possible interpretations of existence and human nature which may lead to many humanisms in addition to the historical humanistic attitude.

The question arises as to whether there is a particular social significance in the recurrence of this general philosophical attitude of humanism. The sociological corollary to the humanist attitude is that institutions tend to stabilize and dogmatize the intellectual content which was the creative principle of their origin. Intellectual motivations harden as soon as they are institutionalized, as soon as they are released from the pressure which imposes upon them a continuous spontaneity and vitality. Hence the creative forces of life will always transcend the patterns of institutionalized mind and spirit and will search for new formulations of the old and eternal truths. The controvertible character of institutions and the patterns of thought they represent is especially evident in epochs of basic social transformation. In such moments of intellectual and spiritual breakdown the very existence of man becomes the reintegrating element, for only existence provides an element of certainty in which the works of the mind can be rooted. In this sense humanism is an attitude of transition, not of perfection. It would restore the true meaning of ideas and values by experiencing their existential actuality. This effort is indeed an enduring pattern of human conduct, an attitude which recurs in situations of basic change, from the sophists to the

⁹ Whitehead, *op. cit.*, p. 269.

philosophers of the present day who are striving for a "philosophy of existence." For this reason it is neither reactionary nor progressive; it is reformation and renaissance, not repetition.

The Socratism of Plato may be considered the first humanistic effort. In attacking the relativism and subjectivism of the sophists he set forth an idea of man in which the common *logos* would make possible objective communication and understanding, and would integrate the various elements of individuality into the unity of personality. Plato understood the objective process of learning as the eternal miracle of the mind. The very process of learning accomplishes the other miracle of human existence, the unity of personality which develops through the creative activity of mind and spirit.

Whitehead has emphasized the significance of Platonic humanism for present-day thought. The oneness of life in the variety of its aspects is the Platonic theory of the soul. This doctrine, as Whitehead has seen, has great attraction in the disintegrated life of today: "He gave an unrivaled display of the human mind in action . . . There we find exposed to our view the problem of education as it should dominate a university. Knowledge is a process, adding content and control to the flux of experience. It is the function of a university to initiate its students in the exercise of this process of knowledge."¹⁰ This Platonic or humanistic effort to realize the unity of mind and existence is the basic need of man in overcoming situations of disintegration and decay. It occurs again and again in those situations of transformation in which traditions, standards and values have become problematic, creeds have lost their normative character and an excessive subjectivism endangers the intellectual and spiritual order of the social world.

In the contemporary American scene Hutchins resumes the humanistic efforts of Irving Babbitt and his associates. But he goes farther in developing a fundamental attack on the modern patterns of life and in pointing out the old-new image of man him-

¹⁰ Whitehead, *op. cit.*, p. 264.

self as the force which holds together the different elements of existence. I wish to stress the point that what Hutchins proposes is no pseudo-idealistic escapism. He knows that the growth of a powerful nation will not be accomplished through philosophical standards. But we may well remember the experience of Rome. The Romans built up their tremendous empire under the protection of their gods, the rigid norms of their mores and the wisdom and authority of their aristocratic traditions. They did not need philosophy and higher learning. But when all these standards were in decay they discovered the blessings of philosophy, the shaping power of the mind in the control and discipline of the individual and society.

This humanistic pattern, recurring in times of disintegration, will endure as long as this civilization exists which has its roots in Rome, Athens and Palestine. Humanism has always been and will continue to be a refuge for preserving the dignity of human existence. Thus I believe that Hutchins' underlying ideals—whatever may be the fate of his specific proposals—will eventually meet with understanding and acceptance. Now again we are living in a situation in which the only salvation from despair is to restore the unity of mind and life and, in the coincidence of the philosophical and the practical, to recapture the vigor of the spirit. The humanist knows that the integration of philosophy into the patterns of living is the condition for the good life and the preparation for the good death.

THE "REVOLUTIONARY SITUATION" AND THE MIDDLE CLASSES

A SURVEY of recent representative left-wing literature in this country may be subordinated to a study of the ways in which it has taken into consideration recent social and political changes, and a comparison of the results with the original presentation of the Marxian doctrine. For these changes have impressed upon the theory of radicalism a significant change in the accepted set of doctrines. Originally the coming of the socialist revolution was made dependent on both institutional and human conditions which were expected to prevail as a result of capitalism. Now such positive conditions are increasingly treated as negligible, as they proved not to materialize. In the systematic structure of Marxian thought this change appears as the substitution of a theory of the "revolutionary situation" for the older theory of "ripening conditions"; in the factual investigation it appears as a reformulation of the chapter on the middle classes. The change is tantamount to a retreat from dialectic in theory, a retreat from democracy in practice.

The change and its implications can be clearly seen from the presentation of Marxism by its most informed and humane representative in America, Sidney Hook.¹ He knows a doctrine of ripening conditions only as an ideological pretext for bureaucratic inertia and cowardice in the labor movement. As a matter of fact, if this doctrine is carried to an overliteral extreme—that is, if it is held that capitalism through the rule of competition and concentration reorganizes production in ever fewer and larger units which obviously strive for ultimate unification of management, that the same process dispossesses the entire working population and unifies it in the communal operation of these privately owned plants, that this dual development necessarily culminates in the revolution which adapts the form of ownership to the communal form of operation and unifies all management under a far-sighted plan—then it is true that we can do little but wait for such a happy end and meanwhile watch the growth of its prerequisites. The disaster of German labor is justly attributed to the human and political implications of this interpretation.

It would be equally ruinous, however, to fall from this extreme

¹ Sidney Hook, *Towards the Understanding of Karl Marx, A Revolutionary Interpretation* (New York 1933).

of undialectical materialism into the other extreme of undialectical idealism, the belief that the revolution depends only on the devotion and heroism of the revolutionists and is independent of objective conditions. Of course, this is not the only or the necessary alternative. The truth is that any creative action in history, including a creative revolution, exists of its own right but presupposes conditions which will permit and demand it. The action is never preordained, it is not the inescapable and infallible effect of conditions, it can always be missed or corrupted; but also it cannot arise in the void. As Hook himself has put it, "Only the objective possibilities are given; whether they are realized is a political question" (p. 111).

The classical doctrine assumes that men will be trained in cooperative work, educated in a sense of communal responsibility which will liberate them from domination and exploitation. All this follows from their experiences, both positive and negative, in their work under large-scale capitalism. This is the materialistic element of the classical doctrine; socialism is the logical completion of universally prevalent large-scale production. The idealistic element consists in appealing to the workers' resolution and will to liberty in order that they may achieve this logical socialist conclusion instead of submitting to their plight.

Thus it becomes obvious that the democratic meaning of the entire doctrine centers on the idea of the ripeness of conditions, to be reached by the training of men in a cooperative type of work under capitalistic control. Without men thus prepared the will to socialism could not become an inner urge of the people, and thus could not be a democratic impetus.

Where conditions, and men shaped by them, proved to be far from collective ripeness, this doctrine was repudiated and replaced by the doctrine of the revolutionary situation. This happened first through syndicalism, in France, Italy and Spain, countries where large-scale production was obviously far from prevailing. Next the new doctrine was taken over and led to victory by communism, in an even more lagging country, Russia. At a third stage the new doctrine was applied to the advanced capitalist countries when even these proved to maintain a diversity of types of production and men that gave the lie to the forecast of universal large-scale proletarian work. The downfall of labor in Germany, one of the "ripest" countries, contributed largely to the doctrinal change.

What distinguishes the new doctrine from the old is the fact that it indicates no positive direction of institutional logic and human aspira-

tions. The revolutionary situation is described by Hook (p. 276) as a situation in which the government can no longer govern, because of a prolonged economic crisis, a lost war or a natural calamity, and the social unrest accompanying such catastrophes. Obviously ripeness of conditions for the new order would mean that the old order could not continue after the loss of its own prerequisites. The revolutionary situation, on the other hand, if brought about by a natural calamity such as a poor crop, does not necessarily and is not intended to include conditions and men ripe for socialism; some other direction of reconstruction may be urged by the popular will, or even the renewal of the old order after the elimination of the disturbance. It is thus the negative criterion, the breakdown of the old order, that is regarded as sufficient for the revolution; no positive institutional and social criteria are demanded because they could not be met. Here the idealistic disregard for real men becomes apparent, together with its inevitable concomitant, dependence on the use of physical force to realize an order that is not positively urged by the desires of the people. Therefore the emphasis on the proletarian dictatorship and its power to wield unlimited force, which would obviously be less needed if there were a democratic basis, a popular urge or impetus in the direction of communism.

It is true that Hook declares the dictatorial policy to be purely defensive (p. 305); this is in line with the orthodox interpretation of the classical doctrine, which demands a militant and possibly aggressive self-defense of the new order against counter-revolutionary attempts of the former exploiters. But in the absence of prepared conditions, that is, prepared men, the dictatorial use of force has to establish the new order against a smaller or larger fraction of the working people. To justify this, Hook goes so far as to maintain that whenever "the instruments of production are not held in common, the process of production is at the same time a process of human exploitation" (pp. 233-34). This is sheer nonsense. The score of millions of Russian peasants whom the dictatorship has more or less forcibly collectivized had individually seized only the lands they individually cultivated, and the same holds true of an ever increasing number, in fact, of most, agricultural producers in the advanced countries. Whenever a man owns what he operates and operates what he owns there is no exploitation in the sphere of work. It must be remembered that exploitation of labor is the only possible source of profit in the Marxian labor value theory.

It is also true that Hook, again in line with the classical doctrine, de-

fends the proletarian dictatorship as democratic on the ground that it is founded on the will of the big majority (p. 310). But his disregard for the objective conditions prevents him from investigating whether there is indeed a majority. On the contrary, he asserts that the petty bourgeoisie and peasantry must be won over to the cause of labor, evidently in order to form a majority, and he continues with the amazing statement that "Concessions to these groups must, of course, be made but only with an eye to their ultimate withdrawal" (p. 307).² That such a "withdrawal" cannot be achieved without the use of force is evident, and the statement therefore amounts to a repudiation of both the defensive and the democratic character of the dictatorship.

To be sure, such a program of deceit against potential allies exactly portrays the procedure followed in Russia. But a student of political science should know that the Russian betrayal aroused in peasants all over Europe a hostility toward communism, and the German peasants, when communism recommended that they imitate the Russian example, reacted by setting up fascism.

This criticism, of course, is not novel. John Dewey and Morris R. Cohen have already expressed it in brief but forceful statements contributed to a debate with Hook.³ Morris Cohen speaks of "the peasants' unalterable opposition to communism so far as their own property is concerned. Indeed, the strictly Marxian economics . . . is inherently inapplicable to the case of the peasant who cultivates his own piece of ground" (p. 95). Dewey draws the conclusion that "Fascism in Germany and Italy cannot be understood except with reference to the lesson those countries learned from the U.S.S.R. How Communism can continue to advocate the kind of economic change it desires by means of civil war, armed insurrection, and iron dictatorship in face of what has happened in Italy and Germany I cannot at all understand" (p. 88). Hook retorts with the statement that the critics had offered no "realistic alternative" to communism as the only means of "combating capitalism, fascism and war" (p. 105). Dewey and Cohen, however, although the scope and character of their utterances prevented them from giving a full elaboration, not only suggest a demo-

² Hook qualifies this statement as follows: ". . . or more accurately, with relation to a program of social activity which, by nullifying the antisocial effects of these concessions, render them in time superfluous." I am unable to find any sense in these words. It seems to me that if the concessions are not antisocial they are not "superfluous," and may be kept on.

³ *The Meaning of Marx, A Symposium*, by Bertrand Russell, John Dewey, Morris Cohen, Sidney Hook, Sherwood Eddy, edited by Sidney Hook (New York 1934).

cratic alternative based on an honest alliance between various oppressed groups, but even indicate why communism, far from being "realistic," is fantastic, "utopian," "unscientific" (Cohen, p. 97) and bound to engender its opposite. Hook asks Dewey what other way might be more effective for fighting fascism than "the development of a mass revolutionary movement" (p. 117), but Dewey had just offered arguments to prove that this movement cannot be formed by one of the contributing groups suppressing, outlawing and cheating the others (p. 89).

In this symposium Hook adds to his former discussion a forceful polemic against official communism as betraying the great cause. He has been deeply disturbed by both communist practice in Russia and communist methods of propaganda in the United States (pp. 114, 126 ff.). In the presence of these facts he resorts to distinguishing undogmatic democratic communism from dogmatic despotic communism, and attempts to save the first by exposing the second (pp. 119 ff.). But what he attacks is only the consequence of the political procedure which he himself recommends. His contempt for objective conditions, that is, for the qualities and desires of existing men and existing groups, his insistence that the revolutionary will must take advantage of a situation of catastrophe by establishing communism at any price, his program of cheating the peasants by sham concessions into supporting the proletarian dictatorship and afterwards cheating them out of the promises, his contention that all this must be taken into the bargain as the only way of avoiding fascism and war—all this concurs in urging a formidable dictatorship that must be capable of wielding terror and violence for its ends, approved by Hook, and must therefore justify its actions by the distortions, lies and slander detested by Hook.⁴

In this entire discussion of ripening conditions and the revolutionary situation the pivotal point is the significance and power of the middle classes, the old middle class whose economic basis is the union of ownership and labor in one person, as in farming, and the new middle class of clerks and white collar workers. Hook, while abhorring the ruthlessness of the Russian dictatorship, harbors so little doubt of the urge to communism inherent in a revolutionary situation that his way

⁴ Hook's book appeared in 1933; the symposium, which shows such a considerable shift of emphasis from revolution at any price to liberty, appeared only one year later. Hence by now Hook may be expected to have gone much farther in this direction, as is suggested also by his contribution to *Social Research* in September 1937.

of dealing with the middle class problem is very cavalier indeed. The gap thus left in the system was filled out in 1935 by Lewis Corey, in a brilliantly written book.⁵

Corey's main thesis is that the middle class is not and cannot be an entity because it is a "split personality." It cannot act independently and of its own accord because it is not unitary in its economic interests. The split cuts across the old and the new middle classes: both the bigger proprietors who employ hired labor and the salaried managers of capitalistic firms are beneficiaries of capitalism; both the poorer independent producers and the masses of white collar workers, crushed as they are by the crisis, are in their real economic interests identified with labor. Corey admits that conscious organization and action in line with this interest are still wanting. The proletariat, on the other hand, is not a split personality, or, in so far as it is, is so only in ideology (p. 272). This is a most curious inversion of emphasis, as obviously the ideological position of labor is its position in political practice. Its interest, he asserts, is determined by its control of industry—a bold statement in the age of labor-saving devices which, in increasing the efficiency of industry, do not increase the number of laborers but do increase the numbers and responsibilities of engineers, accountants and clerks.

Now in Europe, as the workers moved toward the overthrow of capitalism, the middle class was forced to choose between communism and fascism (p. 21). For it has no homogeneous interest, and as an intermediary class it cannot impose its rule upon society (p. 53). The middle class people must recognize their identity with labor (p. 266) for they are becoming a part of the labor movement (p. 267). They cannot have a program of their own, they are incapable of an independent class policy (pp. 316, 340), they must accept one or the other, communism or fascism (p. 293). Fascism, of course, is defined as the absolute dictatorship of finance capital (p. 285) and its autarchy is declared as impossible (p. 297), in spite of the fact that it is also the practical policy, if not the admitted theory, of Soviet Russia, the author's model country.

The entire incessantly reiterated argument that the middle class is incapable of a program and of independent political action is produced in spite of the formidable middle class dictatorships which erect their systems of political domination over both capital and labor. In this way the obsolete theory of only two classes is supposed to be reconciled with the facts. This ostrich behavior marks the third generation

⁵ Lewis Corey, *The Crisis of the Middle Class* (New York 1935).

of a once great school of thought, which in its day was distinguished by a penetrating sense of reality and by the most original insights into rising forces. That Corey sees the small producers, for example the farmers, as "doomed" (p. 110) goes without saying. The practical conclusion to which his discussion leads is contained in a footnote (p. 268) which demands "the formation, and their representation in a labor party, of unions of farm laborers, tenants, and poorer independent farmers, including industrial workers in the small towns who are in a strategic position in relation to industry and agriculture." This program apparently means the contrary of the widely discussed cooperation of farmers and laborers on an equal footing; it means that the "workers" assume control of the farmers, who are incapable of program and action.

All such fantasies are brushed aside by Bingham,⁶ the more convincingly since his starting point was Marxism. This fact is of fundamental significance in considering his work. Two lines of thought derive from Marx: one takes over his particular doctrines and theoretically adapts the world to them; the other, using his sense of reality and his methodical approach, searches for a solution of social conflicts that might be parallel to the solution he depicted for the social tendencies that he saw. The structure of the capitalist world cannot be recognized by one who has never been touched by the force of Marxian thought, nor is it accessible to one who remains a prisoner in Marxism; one has to pass through it in order to be equipped with its powerful instruments of investigation and to make use of them in liberty.

Thus Bingham takes as his point of departure the failure of Marxism to profit by the long hoped-for crisis of capitalism (p. 12). He sees a distinct unification and collectivization in the United States, but this tendency, far from proceeding on proletarian lines, makes the middle classes the dominant type of society to which the workers too are anxious to conform.⁷ An abundance of brilliant observations bears out this first thesis. Class lines are blurred, classlessness is a program that is far from being ideological in the sense of untrue. Naturally then the question as to the political position and potentialities of this dominant social type arises. To answer this question it is imperative to find some unitary principle upon which to rest the existence and

⁶ Alfred M. Bingham, *Insurgent America, Revolt of the Middle Classes* (New York 1935).

⁷ R. D. McKenzie, *Metropolitan Community* (New York 1933) is most significant on this point.

aspirations of the middle class. Such a principle, moreover, must not be opposed to the particular interests of labor, if the middle class claim to classlessness is to be justified. It will be seen that this is a task of both constructive analysis and constructive politics.

An attempt in this direction was made by the present writer in several earlier German writings. In his formulation the small, propertied producers, as an effect of their property, enjoy independence in their work and are anxious to protect this independence against a crisis; such property is not the same as large-scale capitalistic property because it is used not to yield a profit but to keep the producer independent. To some extent the salaried employees enjoy a similar individually distinguished position, by virtue of special qualifications or confidential functions, and they preserve an awareness of and loyalty to such values through their middle class organizations. Finally the workers, their collective work stripped of any individual significance, strive to recover their lost independence through various types of collectivism, cooperatives, unionism and socialism. Thus independence—to be preserved or restored—forms the common denominator in which to express and unify the aspirations of the various groups of the working people. Moreover, the propertied producers' desire for that reasonable degree of security without which their liberty would be valueless leads to an interest in the collectivization and unified management of industrial activity. In so far as a deliberate unitary management of the collectivized dynamic fields of large-scale industry and finance can prevent recurring crises, such management would protect the individual properties in other fields from the danger of shrinking markets and crushing debts.

Bingham's problem is the same; his solution is slightly different and distinctly more comprehensive. He uses security as the common denominator in which to express the interests of the various middle class groups and the craving of the propertyless laborers (pp. 73 ff.). Property in the farm or shop gives the man who operates it a higher degree of security in a wildly changing world than the have-not enjoys; so also does ownership in a home, or savings in a savings bank, or an insurance policy. Monthly salary and employment contracts serve the same purpose, and result in a substantial difference between the economic positions of employees and of laborers, even when their incomes are nearly the same. Thus a higher degree of security, brought about by a number of different devices, distinguishes the middle class workers from unprotected labor, and unifies the middle class socially and ideologically. The worker's unprotected position is suggested in the

Marxian description of the proletarian as one who has nothing to lose but his chains. In so far as workers do have more to lose than their chains they become assimilated to the middle class atmosphere, and in so far as they are kept outside, security is the chief object of their desires.

On the other hand, security is today jeopardized to such an extent that the middle class has become favorably inclined toward any collective reorganization that, instead of destroying it entirely and promising something quite different, would restore and confirm it and include others as well. It is all very simple: the middle class does not want to lose what little it has, but since what it has is not the result of exploiting others it would not object to raising these others to the same plane. Collective security is the middle class program, and though this program bars the idea of sacrificing security to a universal proletarianization it does not bar the workers and does favor any system that promises to promote security for all.

But the security formula suggests also the fascist potentiality of middle class policy, the readiness to resort to ruthless coercion to protect this security from possible dangers—not only from the proletarian menace of wholesale expropriation according to the Russian model, but from all signs of labor aggressiveness that arouses suspicion of the ultimate aims of labor by hurting middle class interests, such as this country witnessed on the occasion of the strikes at Hershey and Saginaw. It is the middle class that is in a strategic position in the modern economy, as was first discovered by Veblen. Its members hold the essential functions far more than manual labor does, infinitely more than the unemployed to whom communism primarily appeals but who cannot "take over" what is being operated without them (p. 55).

The middle class relationship to capitalism is characterized by Bingham in the brilliant formula that it is a job stake, not a property stake (p. 80), and thus the middle class program approximates that of the workers. Hostility to a proletarian revolution by no means identifies the middle class with capitalism as a system of financial domination and growing insecurity for all jobs, independent and dependent. On the contrary, barring a proletarian revolution, it is attracted by the widest variety of reform panaceas, including some that are distinctly radical; what is missing is not readiness but a sound and comprehensive program to absorb and shape its erratic energies, as the Marxian program had succeeded in doing in the parallel case of labor.

In the light of these considerations it becomes abundantly clear that the "revolutionary situation" is far from being identified with an urge to an all-inclusive proletarian communism, and that therefore the communist program's implied resort to force is to compensate for the fact that "ripeness of conditions" appears increasingly unattainable. Originally conceived as a means to universal liberation under special economic conditions, communism retains its institutional devices even while underlying conditions are being deflected from the anticipated course. Communism's sanction of organized violence prevents in itself any decent solution and evokes still more dangerous repercussions. In other words, in the event of a revolutionary situation everything will depend on finding out what is the solution that "conditions" are "ripe" for—and thereby restoring the democratic respect for genuine human nature and needs.⁸

EDUARD HEIMANN

⁸ For a full elaboration see my book, *Communism, Fascism, or Democracy?* (New York 1938).

ASPECTS OF THE RECOVERY PROBLEM

It is always a worthwhile undertaking, when new ways have been chosen for attacking a problem, to look back occasionally and take stock of the experience that has been gained, in order to determine whether these ways should be continued or perhaps modified. This seems to be the program which the Brookings Institution has given itself in connection with the recovery problem in the United States.¹

But the content of this publication is much wider than its title would suggest. In order to give an account of the economic development before the recovery got under way the authors present an analysis of the preceding problems, beginning with the difficulties arising out of the war and the increased international indebtedness which led to the many complications in the field of international trade and currency relations. The difficulties of the British pound in 1931 strengthened, according to the authors of this book, the depressive forces in this country which had seemed to be subsiding by that time. The review of international events is accompanied by graphic presentations depicting the changes in business activity from 1929 to 1935 in twenty-eight countries on all continents. These charts make it possible to compare not only the dates at which the depression started and terminated but also its severity and the degree of recovery in the different countries. In addition to the statistical information there is in the appendix a very valuable collection of recovery measures taken in these countries.

In the following part many of the factors which reflect the changes in prosperity and depression, and which are frequently mentioned in the discussions of the recovery problem, are reviewed for the whole postwar period. This part deals primarily with facts, based on statistical material compiled from official and other sources but partly also on new and original estimates. Wherever factual material for America's economic development in the postwar period is needed these studies will prove to be very useful. They contain material on the unemployment and reemployment problem, on wages, prices and profits and their relations, on public and private finance, and finally on international trade and exchange. Particularly interesting is the chapter on the accumulated needs of durable consumers' and producers' goods, which shows that at the end of 1936 the United States had a deficiency of durable goods

¹ Brookings Institution. *The Recovery Problem in the United States*. Washington: Brookings Institution, publication no. 72. 1936. 709 pp. \$4.

amounting to 25 to 30 billion dollars, 9 billion of which was for dwellings and about 11 billion for postponed replacements in industry.

Whereas the statistical part of this publication shows a well conceived plan, great diligence and excellent presentation, the theoretical part—the conclusions drawn from the factual material—and the proposals for future actions are not always convincing, nor do they seem to be closely connected with that material. Indeed, it is extremely difficult, or perhaps even impossible, to find indisputable interpretations of given data; it is even more difficult to base plans for future policies upon such data without using a preconceived economic theory. Harold G. Moulton seems to realize this, and he reaches the following conclusions (p. 108): "It is not possible to prove from the available evidence whether recovery has been impeded rather than promoted by governmental activity"; and "It is not possible to measure with any precision the relative merits of specific types of recovery effort"; and "The degree of recovery [in different countries] does not correlate closely with the extent to which government funds have been employed for the purpose of promoting expansion."

Nevertheless some definite conclusions have been drawn in this book which seem to be based on Moulton's theories as explained in his earlier *Formation of Capital and Income and Economic Progress*. As to the proposals, it is advocated that we should balance the federal budget, expand real purchasing power by reducing prices and keeping wages stable, not reduce the daily hours of work, eliminate public and private restrictions of output, and continue the present policy in the international field, that is, reduce tariffs and stabilize the dollar in terms of foreign currencies. This program suggests that the government should confine itself to enforcing competition and leave it to private initiative to increase the welfare of the country.

The more fundamental recovery problem—whether a change is taking place in some of the underlying conditions, causing private investors to be more reserved and therefore forcing the governments of almost all countries to assume new burdens—has not been investigated. If this is indeed the case it would follow that some of the functions assumed by the various governments are steps in a continuing development, rather than measures limited to a temporary emergency. In that case the conclusions drawn in this book concerning future policies would have to be quite different, if the aim is to smooth the path of the development rather than to obstruct it.

It shall not be attempted here to solve any of these questions but only to express some of them in more detail.

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It is a generally accepted opinion that revivals of business activity are started by extensive investments in durable producers' and consumers' goods. These investments are said to be stimulated by interest rates and the prices for labor and raw materials, which are assumed to have reached a bottom. This theory presupposes that the deflationary process of the preceding depression has come to an end, and—just as important but frequently overlooked—that there is an ever-present demand for these investment goods.

There has been a good deal of discussion as to whether depressions progress cumulatively if there are no outstanding innovations or artificial interventions. The negative answer to this problem is based upon the opinion that earlier or later an optimum of liquidity will be reached, which makes continued hoarding unnecessary and therefore stabilizes production and prices, even though on a relatively low level.² But liquidity, at least that of private enterprises, can be raised only if the receipts from sales do not have to be used for repayment of bank loans. In that case money is not hoarded but is technically destroyed, because deposits are to the same extent reduced in the ledgers of the banks. The larger the proportion of money derived from bank loans the longer the time until the demand for liquidity is satisfied. It may happen, of course, that the private banks and the central banks reach the desired degree of liquidity earlier than their customers, but the length of the deflation will then depend on the latter. The rise of the public debt can be viewed, therefore, as it frequently is, as a counter-balance to the deflationary forces in the private sector of the economic system.

But there is another aspect of the increase of the public debt. Money created by banks is normally given to enterprises as loans in anticipation of a certain quantity and direction of future demand. This may lead to an overexpansion of investments where they are not needed, and to an accumulation of inventories which have to be sold later at reduced prices. Money distributed by the government, however, increases consumers' demand directly and gives a relatively safe indication of future developments. Working capital is then provided by profits made through temporary increases in prices. These profits may be used either in the enterprise from which they originated or—even better—they may be directed by competition to those enterprises which show the greatest earning prospects.

If production and investments follow demand rather than anticipating it the indebtedness of enterprises can be considerably smaller.

² Cf. Gottfried von Haberler, *Prosperity and Depression* (Geneva 1937) pp. 285 ff.

During the years 1923 to 1929 bank loans not secured by securities (that is, primarily commercial loans) increased exactly in proportion to the national income, but during the period 1933 to 1936 the same loans increased only by a negligible amount in spite of a substantial rise of the income. In fact the liquidation of these loans, which started in 1929, continued until the middle of 1935, and even after that turning point the rise was much slower than should have been expected from previous recovery periods. This has been recognized by the Brookings publication, but it has not been seen that it was possible only because of the increase of the government debt. Had the government not borrowed, and thus increased the deposits, private entrepreneurs would have had to borrow, since an increase of production without an increase of the media of payment is very difficult to imagine.

This also throws a different light on the interest burden which has to be carried because of the increase of the public debt. If private entrepreneurs had increased their loans the interest would have had to be paid by the consumers in the form of higher prices, or by the stockholders in the form of lower dividends. Instead the public has to pay more taxes, but since the interest rate at which the government is able to borrow is far below the rate which private borrowers have to pay, the net burden is probably much smaller. This problem too has been overlooked by Moulton in his criticism of the financial policy of the government.

Another very interesting aspect of the rise of the public debt during the recovery period is stressed by Charles O. Hardy in the chapter on "Readjustment of Private Debt and Interest Rate," one of the best parts of the Brookings study. Hardy points to the important function that the government took over in providing through its short-term borrowing the link between short-term borrowing in general and long-term investments. This link is normally provided by the stock exchange and the banking system, both of which lost after 1929 a large part of the confidence they formerly enjoyed. Hardy also points to the guarantee of private loans by the different agencies of the government, which served to reduce the risk and thereby the interest rate on such loans. This is all the more important since many of the interest rates, in contrast to general theoretical assumptions, increased rather than declined during the depression.

The changes in the debt structure brought about during the recovery years may have a decided effect also on the severity and duration of the present recession. A credit contraction usually forces the

liquidation of inventories, and thereby strengthens the deflationary forces still more. As the loans were given to the government, however, the banks have no reason to recall them and the bottom of the depression may be reached much earlier.

The other assumption—that there is an ever-present demand for investment goods—rests to a certain extent upon the fact that up to 1933 the construction industry was usually one of the first industries to start the revival. In this recovery, however, the increase of building activity came only after all other industries had their upswing, and even then the increase was comparatively small. We have to ask, therefore, whether this was merely unfortunate chance or whether a change in underlying conditions has taken place which is likely to continue into the future.

Production of any product usually increases if there is a contemporary or anticipated increase in demand. In the case of residential buildings, because of their long lifetime, the anticipated demand is perhaps even more important than the contemporary demand. This would mean that buildings can be constructed even in times of depression if the assumption can be made that within the following thirty to fifty years renters or buyers can be found at satisfactory prices. As long as cities grew rapidly this assumption was reasonably safe. But—perhaps as a result of the declining birth rate, curtailed immigration and the fact that the desire for larger living space is being increasingly subordinated to the preference for automobiles, more recreation and generally greater mobility—the future demand for more housing facilities on the part of those strata of the population who are able to pay has become less certain. This should not imply, however, that there is less need for housing facilities. Rather the opposite is true. But in the construction of dwellings the same circumstances are now operative as in the production of other commodities: housing too must wait until demand shows an increase over the level of the depression. Therefore employment must increase first in other industries, and remain stable for a considerable period, before increased incomes make possible a higher demand for housing facilities and encourage an increase of building activity. It seems that after a prolonged depression goods which are less durable, such as clothing and household necessities, are replaced earlier than longer lasting goods, such as automobiles and houses. This would mean that the construction industries become one of the last to take part in a recovery.

If there are innovations in the producers' or consumers' goods industries which promise a safe market, production will start there. Always,

however, when important innovations are lacking, the task of starting production falls to the government. In that case the recovery problem will be how the market of existing commodities and services can be widened. For this an increase of consumers' incomes is needed, particularly those in the lower income brackets, where the greatest need for durable goods exists. Insecurity of consumers' incomes is what leads to a preference for liquidity and makes inadvisable the binding of funds through the purchase of durable goods such as houses. Insecurity, however, comes from depressions rather than from taxes. If the increase of the tax burden could lead to greater stability and greater production it would be well justified.

Thus the circle closes itself. Without dynamic forces such as an increase of population, discoveries and inventions business will remain in a state of depression, if left to itself. Outside forces have to pull it out, and have to continue to work to keep it out. This is one of the lessons we might have learned from the period after 1933 and from the material collected by the Brookings Institution.

It may seem somewhat incautious and hasty to draw a future trend from a short period of experience. Economic development during the last five years shows some signs, however, that the governments of the various countries will continue to assume a guarantee of their citizens' standard of living and the safety of their savings by supplementing depression incomes with funds newly created or formerly kept in reserve. If the absence of dynamic forces continues for a longer period of time the result may be that production directed by anticipation of demand will be transformed to production directed by the consumer as to the kind of commodities and services produced, and by the government as to the quantity of the total output. This may be the first step from a speculative to a planned economy—even though with private property and management.

WALTHER LEDERER

University of Delaware

BOOK REVIEWS

KUZNETS, SIMON. *National Income and Capital Formation 1919-1935, A Preliminary Report*. New York: National Bureau of Economic Research. 1937. 86 pp. \$1.50.

Statistical progress proceeds on two lines. The one leads to more and more details of economic analysis, the other to a grasp of the economic process as a whole. To the latter category belong estimates of the national income, of the balance of payments and of capital formation. Such statistics cannot consist in a direct enumeration of the subject matter but must erect an edifice of estimates, using solid stones wherever good material is available and bridging gaps of information by bold constructions. This study combines both activities—the solid work of the statistical bricklayer and the daring construction of estimates which do not pretend to be exact in dollars and cents but measure the order of magnitude in billions of dollars.

No phase of the economic process is more important for an analysis of economic development and of business fluctuations than the process of capital formation, and for no phase is factual information less reliable than for saving and investment. With regard to the various sources and channels of saving we still rely on guesses rather than on estimates; with regard to investments this publication provides us with estimates which answer some of our most important questions. The study shows, for instance, the increasing importance of replacements in comparison with orders for new business investments, and the increasing importance of public investments and investment in consumers' durable goods in the course of the period under observation. This period—1919 to 1935—is certainly not a very good basis for trend observations (and some of the averages comprise years which are too differently situated in the business cycle to allow any conclusions, as for instance those in tables 7, 8, 9, 11), yet the value of these estimates can hardly be overrated. They are indispensable for an understanding of the structural changes in the patterns of capitalistic development. This is a preliminary report. There is every reason to look forward with the greatest interest to the publication of the whole research work. It would be desirable if the final study could be extended to include also an analysis of one prewar period, thus furnishing a better basis for recognizing the long trend of development. It would also be very desirable if the other aspect of capital formation—the various sources and channels of saving—could be subjected to a similar

study by the National Bureau as a further step toward the construction of something like a "master plan" for the process of economic development.

I wish to add one critical point. Kuznets does not confine his estimates to the net capital formation. His starting point is rather the gross capital formation, the total production of all capital goods. By subtracting from this total the depreciation and other forms of capital consumption (as estimated by Solomon Fabricant) he finds the net capital formation. This figure is then related to the net national product, that is, the national income. Kuznets uses the gross capital formation, however, not only as a means of estimating the net capital formation; he also analyzes and classifies the gross capital formation in itself and relates it to the gross national product (the net national product plus depreciation). In this way he intends to illustrate the importance of capital goods production in the whole range of the nation's economic activities.

It seems to me that the concept of gross capital formation involves a duplication. The computation includes, for instance, the total value of all machines sold on the domestic market. In the price of every machine one portion represents the depreciation of the machine-producing industries. At least a part of this depreciation, however, is represented by machines which are sold for replacements to the machine-producing industries and which are also included in the gross capital formation. Thus a duplication occurs, similar to the duplication that would be involved if the value of iron ores were added to the value of pig iron in estimating the total value of iron production. A corresponding double counting is implied in the estimate of the gross national product. One element in the net national product is the value of goods sold for replacement (or the income derived from the production of these goods). Since the replacements correspond to a part of the depreciation the addition of the depreciation to the net national product entails double counting of the goods produced for replacement.

It happens that these duplications decline in importance when the two estimates—those for gross capital formation and for gross national product—are put in relation to each other. If we could assume that the duplication amounts to the same proportion in both estimates then the ratio between the figures would still be correct. This assumption would certainly not be quite exact, but the ratio cannot be distorted substantially by the double counting. This critical point is therefore in its final effect not of great importance. Since in this work, however,

Kuznets presents not only very useful estimates but also careful definitions of his basic concepts it would be desirable if in the final publication he could further clarify this notion of gross capital formation.

GERHARD COLM

OMAN, SIR CHARLES. *A History of the Art of War in the Sixteenth Century*. New York: Dutton. 1937. xv + 784 pp., with 33 maps and 12 plates. \$6.

The sixteenth is to Sir Charles Oman the puzzling century in much the same way as the nineteenth is to some people the silly one. The political and warlike occurrences of the age receive epithets like "insane interference," "perplexing incoherence," "wholly unnecessary war," "a very surprising war," and many more of the kind. The absence of "national feeling" in the mercenary, in particular the "conscienceless mentality" of the *Landsknechte*, seem to him just so much plain wickedness. Such judgments, not particularly helpful or "historical," even though honest enough, are offered again and again instead of any attempt at broad and thorough explanation of an age which was indeed filled with sudden shifts in the political combinations of governments and factions, in the pursuit of military operations, and in the allegiances of the motley soldier bodies, whose life Montaigne called "vraye eschole de trahison, d'inhumanité et de brigandage."

Oman clearly does not realize the significance of his own occasional suggestions, as for instance his designation of the work of the Swiss soldiery in foreign countries as a "Renaissance Fremdenindustrie" (p. 64), or his remark that a Swiss corps "seems to have regarded itself as a sort of trades union which could overrule its presidents and committees"—far from a bad comparison if one include in it the function of the Swiss *Geschlechter* as the *padrones* of labor employed abroad. But these remarks remain accidental bon mots instead of being developed into a central theme. The author fails to perceive the relation of his "art" of war to the changing conditions of the age, especially its shift to a money economy, which the warmakers of the time also failed to understand either in its military potentialities or in its limitations. This was the same shift which caused the breakdown, or at least shrinkage, of the guild system, and the conflicts between nobility and peasantry, setting masses of labor free for war purposes, particularly in Germany. Out of this supply came the *Landsknechte*, who excite the ire of Sir Charles almost as much as do the Germans of 1914 for their war guilt.

That century saw the freest labor that was ever employed for war purposes; soldiers were so far emancipated that the systems of authority and discipline erected by the Reformation and counter-Reformation were to reach them last of all classes. This free war labor kept its contracts and could be worked only if the employers and contractors—the princes and other sovereigns—kept their part in the contract and paid war wages regularly; the most successful employers were the Dutch under Maurice of Orange, whose disciplinary and tactical arrangements, including bureaucratization of the officer corps almost in the manner of efficiency engineers, did away with a good deal of the feudalistic wilfulness which had impeded warfare nearly as much as labor wilfulness. Under this system a high degree of efficiency was possible, and a faithfulness to contractual obligations which might be called loyalty. True, these mercenaries were devoid of “national feeling,” as Oman deplores, but they could be loyal to good employers and when they fought they really “sold” their lives, not merely metaphorically, and came far oftener to a bloody fight at close quarters than the later armies which served their country for next to nothing.

As social history of warfare Oman's work is, though far more extensive, not up to the level of the corresponding chapter of Hans Delbrück's *Geschichte der Kriegskunst*—unfortunately not translated into English—or the writings of Max Jähns. The discussion of the technological influence on warfare brings out nothing that is new. The descriptions or accounts of individual battles, at times uncomfortably like those of Delbrück, particularly that of Bicocca (pp. 172 ff.), are hardly ever superior to the many battle analyses which the Delbrück school has produced. Mainly on account of its treatment of the out-of-the-war theaters of war (England-Scotland, the Osman Empire and its neighbors), and because there is no English-written work on the warfare of the sixteenth century available, will the military historian admit a certain usefulness to this work.

ALFRED VAGTS

New Milford, Connecticut

DUPUY, R. ERNEST, and ELIOT, GEORGE FIELDING. *If War Comes*. New York: Macmillan. 1937. 368 pp. \$3.

When intelligent people converse about economic questions they refer to figures and facts that are verifiable. But war is a subject on which technical ignorance is so great and discussion so often thwarted by political and other emotions that it is difficult for laymen to talk

sense about it. The present book brings many of the military problems of war within the reach of the layman's understanding. One should hope that it will be widely read. The authors, two American officers, distinguish themselves by abstaining from prophecy and politics. They present a readable treatise in which the problems of modern warfare are discussed in the sober terms of technical knowledge. Especially instructive are the chapters dealing with the types of arms that are both the center of fear and the focus of expert enthusiasm. Many readers, learning from the authors the specific limitations and advantages of airplanes, tanks, gas, submarines and other modern weapons, will be surprised to find that here, as in economics, figures are more solid than guesses based on apprehension or sensational imagination.

Here are a few of the conclusions that are reached in the book. Air power, which will be the initial instrument of attack, will be directed against military objectives and not against centers of population. Because of its inherent limitations it alone will be incapable of bringing about an immediate decision. These limitations include the impossibility of sustained aerial action, the dependence on a base for replenishment and overhauling, and the impossibility of guarding against certain and immediate reprisal in kind. It may be interesting to note in passing that every airplane needs from one to two hours of inspection and overhaul for every hour of flying time, and requires about fifteen officers and men for operation, command, administration, intelligence, communication, maintenance, supply, transportation and medical attention.

The mass armies of the World War are likely to disappear from a future European battlefield since under the conditions of modern war technique it is impossible to maintain their supply at any distance from the base. This conclusion is easily understood when it is remembered that the supply of the French armies in the World War required three fourths of the maximum capacity of the railways in their rear.

Naval warfare is not likely to lose its importance in the future. Nor have battleships become obsolete by the advance of planes and submarines. The cruising radius of large modern submarines is from 12,000 to 18,000 miles. But the capacity of the electric motors which propel the submarine when it is submerged limits its underwater cruising period to 25 to 40 hours at an extremely low speed ($1\frac{1}{2}$ to 3 knots). Few submarines can do better than 18 knots on the surface, while destroyer speeds range between 35 and 50 knots. The submarine as a commerce destroyer may be judged in the light of evidence from the World War. After the convoy practice was systematized 99.08 per

cent of the ships moving in oceanic convoys to transport American troops and to supply the British Isles arrived safely at their destination. These figures refer to the summer of 1918, when there were 40 outward and 42 homeward bound convoys every month.

As to the use of gas on civilians it may be worth while to quote one paragraph in full: "To obtain a deadly concentration of gas over a considerable area—whether it be New York or Paris or London or Berlin—tons of toxic material are necessary. Assuming that a volatile and highly toxic gas such as phosgene were used, no less than 80 tons would be necessary to place within a five-square-mile area a concentration thirty feet deep of one part gas by weight, to 10,000 parts of air by weight. Such concentration would be fatal only if breathed continuously by an unprotected person for about an hour. But remember that such non-persistent gases are quickly dissipated even without any wind. Doubtless many immediate fatalities would occur among those caught in the open, but the vast bulk of the population could save themselves by going at the first intimation of danger into an ordinarily tight room and closing doors, windows and ventilators until the gas went away. In a European city protected by mass distribution of masks and mass instruction in safety measures the fatalities under these conditions would be, in all probability, negligible" (pp. 208-09).

Perhaps the authors' most surprising conclusion is that the tempo of war after the first blows will be slowed down by the fact that the war will be waged in three dimensions. Especially the problems of means of communication and their protection, vital for the supply and replenishment of machines, have assumed an importance that is as immense as the increase in technically possible mobility of operations.

The second part of the book contains an account of the probable moves in a future war. The military problems with which Germany, Italy, Soviet Russia, Japan, France, England and the United States would be confronted in case of conflict with any foe are lucidly discussed in the light of geographical situation, strength and morale of armed forces, and possible reinforcements from allies. Maps support the reader's understanding.

In the chapter dealing with Germany's "Action to the South" the authors have anticipated the current history of Austria. "One German army-grouping could accomplish the occupation in its stride, and in all probability it could be carried out as a hammer-blow, with Europe awaking to find a *fait accompli*." As to the "elimination of Czechoslovakia," which presents the most pressing military problem facing Hitler, "Germany [excluding Austria] is superior by 4 to 1 in regular army

man-power, by nearly 3 to 1 in active divisions, by 7 to 3 in first line airplanes." The authors believe that the most feasible initial move would be "an overwhelming air attack, without formal declaration of war, against known Czech airdromes." If aerial superiority could be maintained for twenty-four hours over the northern Czech frontier a mechanized thrust on land might easily be made from Breslau via Königgrätz-Olmütz to the line of the March River, followed by a main advance from Glatz as the concentration point. Air attack on Prague might invite reprisal on Berlin; on Pilsen it might damage the Skoda munition works which are desirable for German use. If the Czechs could delay the German advance west of the March River for a week, the authors predict a noticeable improvement of the Czech situation because in the meantime other powers might launch blows against Germany. But Dupuy and Eliot confine themselves to military considerations, stating merely that such delay would be difficult for the Czechs to accomplish.

HANS SPEIER

TILLICH, PAUL. *The Interpretation of History*. [Part 1 translated by N. A. Rasetzki; parts 2, 3 and 4 translated by Elsa L. Talmey.] New York: Scribner. 1936. xii + 284 pp. \$2.50.

A number of major essays and excerpts from the author's works are here presented, together with an autobiographical introduction, so that from the whole the reader learns something of the writer's personal history and of his outlook upon all history. This combination is very helpful and appropriate. For Tillich is one who thoroughly joins "the interpretation of history" with his own personal faith, that "decision in which we grasp that which grasps us." His is a Protestant Christian faith, but one raised on the boundary between Lutheranism and socialism, idealism and Marxism, theology and philosophy, and therefore full of living tensions.

Tillich owes much to Schelling for his philosophy, which emphasizes, on the one hand, the transcendental source of meaning in a totality of ideal forms beyond events, and, on the other, the vital energies of existence with their "demonic" character. The ultimate basis of both is "the unconditioned," which is at once the ground and the abyss of meaning (*Sinngrund und -abgrund*). "An interpretation of history is demanded which is based on the mythical consciousness, the insight into the dialectics of the divine and the demonic," says Tillich.

The "demonic" he defines as "the unity of form-creating and form-

destroying strength." Since it is "an element of all historical creation" the latter is radically unstable in value. Whatever is great in "form-creating" power becomes also a "form-destroying" menace. This is a law of life which the Greeks understood well, and which Tillich reaffirms as the tragic truth in history. His description of "the existence of the demonic" in human personality links up with psychiatric data, but he applies the concept also to social phenomena. Thus capitalism has changed from a beneficent creation into a "demonry" of the present. And while the Marxists are right in emphasizing that socialism must become a dominant power, they are blindly "utopian" in identifying this process with salvation from evil.

The Christian socialism taught by Tillich is noteworthy for being purged of all this-worldly and other-worldly utopianism. There is left simply the possibility of a salvation from spiritual destruction or meaninglessness by deciding what course—under the conditions of one's own time—is most directed toward fulfilment of the Kingdom of God, which remains forever a transcendent reality. The decision is a personal and free one; it cannot be coerced. The church's power partakes of the demonic if it seeks to coerce faith. The Protestantism of Tillich's position is at its height here.

The principle of an individual's free decision as to fulfilment points out to him "the center of history," a point wherein this fulfilment is visibly and paradoxically anticipated, as in Christ for the Christian, the Exodus and Jahweh-covenant for the Jew, the appearance of Zarathustra for the Persians, of autonomous Enlightenment for the rationalist, of the proletariat for the Marxist (*cf.* p. 258). In this "theological category" of "the center of history" Tillich's thought reaches an extraordinary pitch of sophistication and faith combined. Thus he regards "the center of history" as the "mythical symbol" of a principle in repeated free decisions, and his illustrations take account of divergent decisions with their different mythologies. At the same time he says that "being grasped by the center of history means being grasped without limitations and conditions, by an absolute power." And he adds further that "history is constituted by the appearance of an unconditioned meaning not as a demand but as existent, not as an idea but as the temporal and paradoxical anticipation of the ultimate perfection." Such statements belong to a really advanced class of the wonders of faith.

I must confess that I find Tillich more graphic and clear about the demonic than about the divine. And this is perhaps more than a personal accident in our time.

Faiths and decisions as to transcendent absolutes do undoubtedly endow history with special meaning. But do they alone prevent history from sinking into an abyss of meaninglessness, as Tillich contends? History is full of meanings immanent in all human activities and limitations. The careful, cooperative discrimination of these can be much impaired when all weight is laid upon the urgency of personal decision on one or another issue of the time. Nevertheless, Tillich's thesis that "the interpretation of history" should be based on "the dialectics of the divine and the demonic" will bear much pondering. For his concepts remain rich with many important insights of past and present experience, whether one share his entire faith or not. On the side of method his inclusion of mythology as indispensable in the interpretation of history calls for special consideration amid the current conflict of mythologies for the popular reconstruction of history.

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